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IN THE
Supreme Court of the United States

October Term, 1968

No. 56

LEAR, INCORPORATED,

Petitioner,

vs.

JOHN S. ADKINS,

Respondent.

On Writ of Certiorari to the
Supreme Court of California

BRIEF FOR PETITIONER

Opinions Below

The opinion of the California Supreme Court (A-I. 164)¹ is reported at 67 Cal. 2d 882, 156 U.S.P.Q. 258. A prior opinion had been rendered by the California District Court of Appeal (A-I. 121), which is reported at 244 A.C.A. 100, 151 U.S.P.Q. 119; and a modification of opinion was subsequently rendered by that court (A-I. 158), which is reported

¹References herein are as follows: "Br. A., *infra* (page number)" refers to material annexed to this brief as an appendix pursuant to Rule 40-1(c); "A-I. (page number)" refers to pages in Volume I of the appendix filed pursuant to Rules 26 and 36; "A-II. (page number)" refers to pages in Volume II of

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at 244 A.C.A. 563. Prior to the decision of the District Court of Appeal, the Superior Court in and for the County of Los Angeles had entered a judgment on the verdict in open court (A-I. 73), which is unreported; had entered rulings on motions for judgment notwithstanding the verdict and, in the alternative, for a new trial (A-I. 74), reported at 143 U.S.P.Q. 53; had entered a judgment for defendant notwithstanding the verdict (A-I. 84), which is unreported; and had entered an amendment to the judgment (A-I. 85), which is unreported.

Jurisdiction

The final judgment of the California Supreme Court was dated and entered on December 14, 1967 (A-I. 164). A timely petition for rehearing was denied on January 11, 1968 (A-I. 217). The petition for a writ of certiorari was filed on April 9, 1968 and was granted on May 20, 1968. The jurisdiction of this Court is invoked under 28 U.S.C., Section 1257 (3) (Br. A., *infra* 1).

that appendix which, as permitted by Rules 36-7 and 39, are of different size and consist of all designated exhibits, including the patent involved in this case, the related proceedings before the Patent Office, and certain relevant patents that were admitted in evidence by the Superior Court of the State of California: "C.T. (page number)" refers to the Clerk's Transcript of the proceedings in the Superior Court of the State of California; "R.T. (page number)" refers to pages of the Reporter's Transcript of the proceedings in the Superior Court of the State of California; and "Ex. (exhibit number)" refers to exhibits admitted in evidence by the Superior Court of the State of California.

Constitutional and Statutory Provisions Involved

The case involves the purposes and provisions of the Constitution of the United States and the federal patent and antitrust laws of the United States. The Constitutional provision is Article I, Section 8, Clause 8 (Br. A., *infra* 1). Statutory provisions particularly involved are 35 U.S.C., Sections 101, 102(a), (b), 103, 115, 132, 154, 282 (Br. A., *infra* 2), 28 U.S.C., Section 1498 (Br. A., *infra* 6), and 15 U.S.C., Section 1 (Br. A., *infra* 7).

Questions Presented

1. Whether it is a misuse of patent rights or in contravention of the policy of the antitrust laws to include in a license agreement, as interpreted by a state court, a provision which extends the monopoly of a patent by conditioning the right of the licensee to terminate the license, either before or after the patent issues, on the cessation of manufacture of the products purportedly covered by the license.

2. Whether it is contrary to the purposes and provisions of the federal patent and antitrust laws for a licensee under an issued patent or a licensee under a pending patent application to be estopped from challenging the validity of the licensor's patent or the patentability of the claims of the licensor's application; and particularly whether such a licensee is so estopped:

- (a) where the licensee has stood out from under the license agreement by notifying the licensor that he refuses to be bound by the agreement, and by asserting failure of consideration because of non-patentability of the invention and invalidity of the patent; or

(b) where the patentability of the claims of the application is challenged before any patent issues; or

(c) where there is included in the license agreement, as interpreted by a state court, a provision which, in the absence of a valid patent, is in restraint of trade and unenforceable.

3. Whether, in the absence of estoppel of the licensee, the record in this case establishes as a matter of law the unpatentability of the claims of the patent application and the invalidity of the patent which are here involved.

4. Whether it is an unlawful extension of the patent monopoly and contrary to the purposes and provisions of federal patent law for a state court, in enforcing a patent under a license agreement:

(a) to ignore basic criteria of federal patent law relating to patent procurement which would be applicable in any other proceeding for enforcement of the patent; and

(b) to ignore basic criteria of federal patent law relating to interpretation of the scope of the patent and infringement of the patent which would be applicable in any other proceeding for enforcement of the patent.

Statement of the Case

This case is an action for royalties under an agreement dated September 15, 1955, by which Adkins, the respondent, granted Lear Incorporated,² the petitioner, a

²Lear, Incorporated, named as defendant in the complaint filed below (C.T. B-1) on January 5, 1960, was, under a statutory merger, succeeded on June 5, 1962 by The Siegler Corporation and the name of the latter corporation was changed to Lear Siegler, Inc. at that time (C.T. 1126). "Lear" is used in this brief to refer to Lear, Incorporated and also to its successor, Lear Siegler, Inc.

license under a patent application which had been filed by Adkins (A-II. 1, Ex. 8, R.T. 296). The patent application was concerned with three features of a gyroscope ("gyro") (A-II. 29, Ex. P, R.T. 1328). Only one of these features is involved in this action—an apparatus for supporting bearings purportedly useful in any device having rotating elements (R.T. 1278; A-II. 23, Ex. 10, column 8, lines 31-34, R.T. 305).

By 1951 Lear had become a major manufacturer of navigation and guidance equipment for aircraft for military purposes. Gyroscopes are an essential component of such equipment.

Adkins, after employment for ten years by the United States Air Force in the procurement of navigation and guidance equipment (R.T. 2445-2446), left the Air Force in 1951 and, after several months, entered Lear's employment at its California facility. There as a full-time salaried employee, with the assistance of other Lear employees, he worked on the California Model 2156 gyro, and on February 15, 1954 he filed the patent application which is here involved (R.T. 297, 522, 2431, 2438).

Lear's manufacturing activities were carried on in two locations, one in California, and the other in Michigan, under separate management (R.T. 298, 578-579). During the development at Lear's California facility of the Model 2156 gyro, development work on another type of gyro was being conducted at Lear's Michigan facility (R.T. 1715-1726). Adkins did not participate in the development of the gyros of this latter type, known collectively as the Michigan³ "steel gyros" (A-I:

³The terms "California" gyro and "Michigan" steel gyro were used throughout this litigation to distinguish the two products that
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58-60, R.T. 550-552; R.T. 1710-1711; A-II. 117, Ex. Y, R.T. 1789).

The license agreement (A-II. 1, Ex. 8, R.T. 296), which was entered into on September 15, 1955, superseded a preliminary agreement made at the time of Adkins' employment. Both the California Model 2156 gyro and the Michigan steel gyros were being manufactured by Lear at the time when the license agreement was made (A-II. 16, Ex. 8, § 17; Ex. 35, First Sheet, R.T. 503). To the extent involved in this litigation,⁴ the agreement granted Lear an exclusive license under the aforesaid patent application with respect to patentable claims that might be obtained by Adkins (A-II. 4, Ex. 8, § 2(a), R.T. 296). Royalties were initially paid on the California Model 2156 gyros and also on the Michigan steel gyros, both of which were then being manufactured (Ex. 35, R.T. 503).

At the time the license agreement was consummated, the bearing alignment portion of Adkins' patent application was primarily concerned with the method of assembly of gyros, both in the description of the invention and in the claims (A-II. 29, Ex. P, R.T. 1328). After operating under the license agreement for approximately two years, Lear for the first time, following a search and study of the prior art, found that the prior art was such as to make unpatentable the method of bearing alignment used in assembling the Michigan steel gyros, and that accordingly Adkins' patent application

are involved. The license agreement refers to the MA-1 Compass Lear Model No. 5005, of which the California Model 2156 gyro was a component, and also refers to the Michigan steel gyros as Model Nos. 2152 and 2153 (A-II. 16, Ex. 8, § 17, R.T. 296). Additional models of the Michigan steel gyros were subsequently developed by Lear.

⁴Of the Exhibits annexed to the license agreement, only Exhibit B (the above-mentioned patent application) is involved in this litigation.

did not disclose any invention utilized by Lear in that equipment. Lear thereupon on September 10, 1957 so notified Adkins, disclaimed any liability with respect to the Michigan steel gyros, and thereafter paid no further royalties on these gyros (A-II. 26, Ex. 36, R.T. 505).

Adkins terminated his employment on February 1, 1958 (R.T. 509), and consequently, in accordance with paragraph 11 of the agreement, the license became non-exclusive on August 16, 1958 (A-I. 158).

After its renouncement as to the Michigan steel gyros on September 10, 1957, Lear continued to account for royalties on the California Model 2156 gyros (Ex. 35, R.T. 503) until, on April 8, 1959, Lear served notice of termination of the license agreement (A-II. 27, Ex. 39, R.T. 510). Such notice expressly relied upon both Section 2(a) of the license agreement, which states that Lear has the right to terminate the agreement on ninety days' prior written notice, and Section 6 of the agreement, which states that Lear has the right to terminate the agreement in the event that the U. S. Patent Office refuses to issue a patent on the substantial claims of the application (A-II. 4, 11, Ex. 8, § 2(a), § 6, R.T. 296). After its notice of termination Lear no longer recognized the agreement as having any effect, claimed no rights under it and made no further royalty payments.

Prior to Lear's notice of termination on April 8, 1959, Adkins had amended the claims of his patent application several times in an endeavor to obtain allowance of claims of various types (A-II. 68, 77, 81, 90, Ex. P, 36, 45, 49, 58, R.T. 1328). In an amendment dated December 19, 1958, which was filed on December 22, 1958, Adkins amended the specification of the application to add additional matter to the description of

his apparatus (A-II. 90-92, Ex. P, 58-60, R.T. 1328). Nevertheless, on April 8, 1959, the date of Lear's notice of termination, none of the claims had been allowed by the Patent Office. Nearly a month after such notice and without Lear's knowledge Adkins again amended the application so as to present a new set of narrower claims (A-II. 96-100, Ex. P, 64-68, R.T. 1328). Thereafter, on January 5, 1960, the patent involved here (A-II. 18, Ex. 10, R.T. 305) issued as to certain of these claims.

On the date of issuance of the patent Adkins instituted suit in the Superior Court of California, asserting two causes of action. The first alleged breach of the license agreement and unjust enrichment after termination of the agreement. The second cause of action, which was dismissed by the Superior Court, had asserted liability under state law based on the alleged appropriation by Lear of the device described in Adkins' patent application and patent (A-I. 5, C.T. B-1). Lear's answer denied any breach of the license agreement, asserting that the agreement had been terminated by Lear's notice of April 8, 1959 and that Adkins had expressly released Lear from any obligations other than those set forth in the license agreement. It also asserted that Adkins' patent application and the patent which ultimately issued did not disclose a patentable invention, and that accordingly there was a failure of consideration with respect to all causes of action (A-I. 36, 46, C.T. 1497, C.T. 1655-Fifth Defense; R.T. 2057, 2317).

During the trial the Superior Court ruled that Lear by its notice of April 8, 1959 had terminated the license agreement, and the court so instructed the jury (R.T. 3080). The jury returned a verdict for Adkins

of \$16,351⁵ as to the California 2156 gyros and \$888,122⁶ as to the Michigan steel gyros, as royalties under the agreement and damages after termination of the agreement, and the court entered a judgment on that verdict⁷ (A-I. 73). However, the court subsequently, on Lear's motion, entered a judgment notwithstanding the verdict in favor of Lear as to the Michigan steel gyros (A-I. 84).

The Superior Court held that, despite Lear's full termination of the license agreement by its notice of April 8, 1959, it was, with respect to the California 2156 gyros, estopped to deny the validity of the patent, and determined that Lear was liable to Adkins in the amount of the jury verdict of \$16,351 for royalties with respect to those gyros on the theory of unjust enrichment, even after the termination of the license agreement on April 8, 1959. However, the court determined that Lear had no liability with respect to the Michigan steel gyros, holding that, in view of Lear's independent development of them, it was not estopped to challenge the validity of the patent which issued to Adkins on January 5, 1960; that Adkins' patent was invalid; and that the Michigan steel gyros did not infringe any claims of the patent, even if valid (A-I. 74).

⁵The jury verdict with respect to the California 2156 gyros is based almost entirely upon asserted damages under state law on the basis of unjust enrichment from April 8, 1959 to May 31, 1963, the cut-off date which the parties stipulated for the determination of the amount, if any, recoverable under the complaint.

⁶The jury verdict with respect to the Michigan steel gyros is based upon royalties from January 1, 1955 to April 8, 1959 and upon asserted damages under state law on the basis of unjust enrichment from April 8, 1959 to the cut-off date of May 31, 1963.

⁷Lear paid royalties on the California 2156 gyros up to the notice of termination on April 8, 1959 in the amount of \$30,735 (R.T. 771). Lear has not sought to recover any of these royalties.

During the pendency of this action in the Superior Court, Lear on March 1, 1963 instituted an action in the United States District Court for the Central District of California, No. 63-241, seeking a declaratory judgment of invalidity, unenforceability and non-infringement of Adkins' patent. This action in the federal court was stayed on the ground that the same issues were pending in the state court action. *Lear Siegler, Inc. v. Adkins* (9th Cir. 1964), 330 F.2d 595.

On appeal from the judgment of the Superior Court, the California District Court of Appeal remanded the case for a new trial to determine the damages incurred by Adkins only up to termination of the license agreement on April 8, 1959. It held that the validity of Adkins' patent was not in issue, in view of the fact that the patent had not issued on the claims of the application described in the license agreement but rather on new claims filed after termination of the agreement which were not part of the subject matter of the agreement; that Lear was not estopped to challenge the claims of the patent application upon which the agreement was based because those claims had been held unpatentable by the Patent Office; and that in any event Lear was not estopped to challenge the validity of the patent, in view of Lear's notice of termination in April 1959 and Lear's refusal to be bound by the agreement thereafter (A-I. 137-141).

Despite the rulings and decisions of the two courts below, the California Supreme Court, at Adkins' insistence, construed the license agreement to provide that Lear could exercise its right to terminate the agreement pursuant to the ninety-day notice provision of Section 2(a) only upon cessation of manufacture of the products purportedly covered by the license (A-I.

187-188), and concluded that, since Lear had not ceased such manufacturing, Lear's notice of termination of April 8, 1959 was ineffective and the agreement was still in full force (A-I. 191). That court also held that Lear was estopped from contesting the validity of Adkins' patent for any purpose (A-I. 191), despite the Superior Court's holding that the patent was invalid as a matter of law (A-I. 79).

Furthermore, the California Supreme Court construed Adkins' patent to cover the Michigan steel gyros, even though the Superior Court had ruled to the contrary (A-I. 191-203).

In view of its construction of the license agreement and Adkins' patent, the California Supreme Court reinstated the initial judgment which had been entered by the Superior Court on the jury verdict in the amount of \$16,351 as to the California 2156 gyros, and in the amount of \$888,122 as to the Michigan steel gyros. The California Supreme Court thus reversed the judgment notwithstanding the verdict which had been entered by the Superior Court in favor of Lear as to the Michigan steel gyros. That court also reversed the order of the Superior Court which, in the alternative, had granted Lear's motion for a new trial.

The California Supreme Court's decision, if permitted to stand, would make Lear accountable to Adkins, not only for the full amount of the jury verdict, but also for royalties as to both types of gyros and any similar gyros developed in the future, from May 31, 1963 (the cut-off date stipulated in the trial) until the expiration of Adkins' patent in 1977, and to an even later date if any patents should be issued to Adkins for different but related inventions (A-I. 181).

Summary of Argument

I

The license agreement and Adkins' patent are unenforceable because of patent misuse and the contravention by the agreement of antitrust policy. These issues of Question One stem from the fact that the court below read into the license agreement an implied condition precedent which required that termination of the agreement by Lear be accompanied by its cessation of manufacture of products purportedly covered by the license.

The patent laws provide no non-contractual basis for requiring or implying such a cessation-of-manufacture condition on Lear's termination rights as licensee, particularly since at the time when Lear gave notice of termination no patent had issued to Adkins and he had no vested rights.

On the other hand, any contractual requirement for such cessation of manufacture does not comport with the Constitutional objectives of the patent laws, and the restraint of trade thereby imposed is condemned by the policy of free competition reflected in the Sherman Act.

The products affected by any such cessation of manufacture were destined primarily for use in military equipment, and 28 U.S.C., Section 1498 (Br. A., *infra* 6) would limit proceedings against the Government based on any alleged patent infringement by those products to an action for damages in the Court of Claims. It is contrary to the policy of that Section to subject a manufacturer of such equipment to the contractual alternatives of cessation of manufacture or payment of royalties, regardless of patent validity.

Finally, since the license was granted under a pending application, any requirement of cessation of manufacture before issuance of the patent is a patent misuse involving an extension of the patent monopoly similar to that condemned by the Court in *Brulotte v. Thys Co.* (1964), 379 U.S. 29, and results in the unenforceability of the license agreement and the related patent.

To combine the court-implied condition against cessation of manufacture with a court-imposed disability to challenge patent validity is tantamount to an express agreement not to contest validity, which this Court has condemned in *Katzinger v. Chicago Metallic Mfg. Co.* (1947), 329 U.S. 394; and the proscribed condition of termination constitutes, both before and after the patent issues, such a patent misuse and such a contravention of antitrust policy as to make unenforceable both the license agreement and the patent, in the state as well as the federal courts.

II

A consideration of the issues raised in Question Two demonstrates the error of the court below in holding that Lear, as licensee, was estopped to challenge the patentability of the claims of Adkins' patent application or the validity of Adkins' patent.

A. General equitable principles provide no sound basis for licensee estoppel since there is lacking an essential element of such estoppel, namely misrepresentation or concealment on the part of the licensee which has misled the licensor. Estoppel by deed provides no valid analogy, for it at most prohibits the *patentee-licensor* from "derogating from" his patent, as against his *licensee*. The doctrine of landlord-tenant estoppel, under which a tenant is precluded from denying his landlord's title, provides no valid analogy since the tenant

in possession has what he bargained for. On the other hand, the licensee under an invalid patent lacks the essential intangible statutory right which he bargained for. His assumed privileges under the license, which in fact can be enjoyed by any other member of the public with impunity, are completely illusory.

B. Apart from the lack of any general equitable basis for estoppel of a patent licensee, such estoppel is contrary to the purposes and provisions of the federal patent and antitrust laws. The patent system represents a departure from the requirement of freedom of competition implicit in the common law and explicit in the federal antitrust laws. Hence the public interest dictates that invalid patents be revealed, particularly in view of the *ex parte* nature of Patent Office proceedings and the "notorious difference" between the standards of patentability applied by the Patent Office and by the courts. A licensee is often the person best qualified to promote such public interest by showing such invalidity.

Although this Court in certain early cases indicated a possible receptivity to the rule of licensee estoppel, analysis of those cases reveals that in none of them did the decision of the Court depend upon the adoption of the rule. Furthermore, in recent cases, where the validity of a patent has been a crucial element in sustaining the validity of the license agreement itself, the Court with one exception has refused to estop the licensee from challenging such validity. *Sola Electric Company v. Jefferson Electric Company* (1942), 317 U.S. 173; *Katzinger v. Chicago Metallic Mfg. Co.* (1947), *supra*. Cf. *Automatic Radio Manufacturing Co. v. Hazeltine Research, Inc.* (1950), 339 U.S. 827. Furthermore, in *Scott Paper Co. v. Marcalus Mfg. Co.*

(1945), 326 U.S. 249, the Court, in sustaining a patent assignor's defense against an infringement claim by his assignee on the ground that an expired patent had anticipated the assigned patent, held that "no more than private contract can estoppel be the means of successfully avoiding the requirements of legislation enacted for the protection of a public interest."

C. Apart from the logic and impelling public policy which call for the Court's unequivocal condemnation of the rule of licensee estoppel, the estoppel of Lear by the court below is particularly unwarranted on three further grounds:

(a) Lear, as licensee, by notice to its licensor, renounced the license agreement and asserted failure of consideration by reason of non-patentability of the purported invention and invalidity of the patent. Such renouncement exposed Lear as licensee, at the election of its licensor, to the alternative remedies of enforcement by Adkins of the license agreement or suit against Lear for infringement. There is no sound basis for the estoppel of a licensee who, claiming no rights under the license as against his licensor or the world, provides his licensor with such alternatives.

(b) The license to Lear was granted under a patent application, and the patentability of the claims of the application was challenged by the renouncement by Lear, as licensee, prior to the issuance of any patent under the application. Many years ago the opinion of Chief Justice Taft, writing for a unanimous court in *Westinghouse Electric & Mfg. Co. v. Formica Insulation Company* (1924), 266 U.S. . 342, pointed out the potential enlargement of the claims of an application where an assignment of the ap-

plication is made before any patent issues, and suggested that any estoppel of the assignor should be more limited in such a situation than in the case of the assignment of an issued patent. Estoppel of a licensee under a patent application is particularly objectionable where, as here, the description of the invention was altered and new claims were added to the application after renouncement by the licensee.

(c) The license agreement, as interpreted by the court below, embodies a condition which requires that the licensee cease manufacture in order to exercise its rights of termination. As pointed out under Part I of this Summary and in Section I of the Argument, such a condition, absent a valid patent, constitutes such a restraint of trade as to provide ample legal basis for determining that the entire license agreement is unenforceable. However, even if this Court should hold that such a provision does not render the entire agreement unenforceable, a valid patent is necessary to "rescue" the agreement "from the jaws of the antitrust laws". Any application of the rule of estoppel under such a license agreement, by foreclosing inquiry as to whether there is the patent validity which is requisite to sustain the legality of the agreement itself, would undermine the basic objectives of the federal patent and antitrust laws.

III

The public importance of resolving questions of patentability of claims and patent validity, and the Constitutional standard of patentability that must be applied, make it desirable for this Court to review the issues of Question Three, since they can be resolved as a matter of law.

The structure for supporting bearings which constitutes the apparatus involved in the patent issued to Adkins is a combination of old mechanical elements of very simple nature. On the basis of prior art patents, which were admitted in evidence and are in the record, the Superior Court determined, as a matter of law, that the claims of the application were unpatentable and that the patent was invalid. Since the California Supreme Court subsequently ruled that Lear was estopped to challenge patentability or validity, it did not pass on this determination of the lower court.

The purported invention is directly anticipated by prior art, and would be obvious to one skilled in that art. The prior art patents which are in the record provide ample basis for a determination by this Court that, as a matter of law, the claims of Adkins' application, and the patent which ultimately issued, fail to meet the Constitutional standard required for patentability and validity.

IV

A determination by the Court that, as urged by petitioner in Section I of the Argument, the license agreement and patent were unenforceable because of patent misuse would finally dispose of this case. Such a final disposition would also result from a determination, as urged by petitioner in Sections II and III of the Argument, that Lear was entitled to challenge the validity of Adkins' patent and that the claims of Adkins' application were unpatentable and that his patent was invalid. Hence our Argument on the issues raised by Question Four of the Questions Presented, which is here summarized, is significant only if neither of the above-mentioned determinations is made by the Court. The issues which in that event will call for the Court's consideration stem from the failure of the court below

to apply basic criteria of federal patent law applicable to (A) the procurement of Adkins' patent, and (B) the determination of the scope of the claimed invention and whether the claims of the patent were infringed by Lear's Michigan steel gyros.

A. With respect to the criteria applicable to the procurement of Adkins' patent, the record shows certain specified improprieties in the proceedings before the Patent Office which, under 35 U.S.C., Sections 102, 115, 132, and 282, were such as to render Adkins' patent unenforceable, regardless of its validity. However, the trial court and the California Supreme Court refused to consider such improprieties, thereby committing error which was substantially prejudicial to Lear. The principal improprieties asserted by Lear and ignored by the courts below, were:

(1) The addition, by amendment in 1958, of "new matter" to the description of the apparatus contained in the specification of the original patent application;

(2) The reliance by Adkins upon such "new matter" in obtaining the allowance by the Patent Office of the claims of the application;

(3) The addition by Adkins of such "new matter", despite his knowledge that products incorporating it had been previously sold for more than one year; and

(4) The conscious concealment by Adkins of the fact that amendments to the application included "new matter", when later filing oaths in the Patent Office.

These improprieties were clearly of such a nature as to make unenforceable the patent which issued to Ad-

kins, regardless of its validity; and the refusal of the court below to consider whether such improprieties had occurred or to recognize the defenses thereby afforded Lear was prejudicial error, contrary to the federal patent laws; and constitutes a perversion of the requisite uniformity of those laws.

The court below was of the opinion that it need not be concerned with how the patent was procured because it was concerned only with enforcement of the license agreement, regardless of the nature of the proceedings before the Patent Office. That court has thereby enlarged patent rights under guise of state law by refusing to consider defenses that would be available in enforcing the patent, apart from any license agreement.

B. The resolution of the question whether the claims of Adkins' patent were infringed by Lear's Michigan steel gyros involves, first, a determination as to the scope of the claimed invention and, second, a determination whether the scope of that invention is such as to cover those gyros.

(1) The court below, although purporting to consider them, ignored or incorrectly applied four criteria of federal patent law which were basic in determining the scope of Adkins' claimed invention.

(a) The court below went beyond the claims of the application, and construed the invention to cover things described in the specification, but not claimed. The invention, as defined by the court, utilized a pair of bearing cups which are positioned with use of a mandrel into oppositely placed receiving holes in a frame or gimbal (A-I. 172). Although the use of a mandrel is described in Adkins' specification, such use is not

claimed in the patent, because claims as to this feature were expressly denied to Adkins by the Patent Office in view of a prior art patent.

The court below also went beyond the claims of the patent, when construed in the light of what is actually described in the specification. The apparatus shown and described by Adkins' original specification requires cooperation between mating surfaces which have a particular configuration and which are in contact with one another. No such limitation was recognized by the court below in construing the claims of the patent, but rather the court construed the claims to encompass confronting surfaces of any configuration.

(b) The court below also erroneously further broadened the scope of Adkins' claimed invention by ignoring the file history of the application. Numerous claims directed to the method of assembly employing a jig or rod had been rejected by the Patent Office prior to issuance of the patent, and a definition in such claims which had provided for "receiving holes" had been denied. Nevertheless, the court ruled that the scope of Adkins' claimed invention included the use of a mandrel or rod for alignment, and that "receiving holes" were part of that invention. The court thereby ignored the rejection by the Patent Office of claims incorporating such features. In thus construing the scope of Adkins' patent, the court ignored an essential criterion of federal patent law which requires that the claims of the patent be read in the light of the file history of the application.

(c) As shown under Subdivision A of this Part IV, the court below, in refusing to consider the availability to Lear of the defense based on the addition of "new matter" by amendment, committed prejudicial error in contravention of established criteria in patent enforcement. However, the court compounded its error by not merely ignoring the defense against enforceability provided by the addition of the "new matter", but by also relying upon this "new matter" in determining the scope of Adkins' claimed invention.

(d) The court below construed the invention to encompass all similar apparatus for achieving the same results unless such apparatus is "expressly excluded by specific language". This is a rule of construction which has not heretofore received judicial recognition. Furthermore it runs counter to established criteria that (i) the specification can be used to limit but never to expand the claims, and (ii) the claims cannot be construed so broadly as to read on the prior art and thereby cover things that are in the public domain.

The court below also applied the doctrine of equivalents beyond any limits heretofore recognized, by failing to ascertain whether the doctrine as so applied runs counter to the aforesaid established criteria.

(2) The court below erred in refusing to apply basic criteria of federal patent law in determining whether the scope of Adkins' claimed invention, when properly construed, covered Lear's Michigan steel gyros.

When the claims are construed in accordance with such criteria, as employed by the Superior Court, the

claimed invention must be limited to a structure for supporting bearings wherein the elements have mating surfaces of specific contour which cooperate when engaged to provide orientation or angular movement in any direction so as to permit alignment. This is essentially limited to a ball-and-socket structure. The claimed invention cannot cover the Michigan steel gyros because they achieve alignment simply by positioning the elements in oversize holes and no angular movement for alignment is possible.

The question of coverage of Adkins' claims with respect to the Michigan steel gyros is a question of law, since no dispute exists as to the structure of Lear's Michigan steel gyros. The only question that must be resolved is the scope of Adkins' claimed invention, which is itself a question of law.

Argument.

I

THE LICENSE AGREEMENT, AS CONSTRUED BY THE CALIFORNIA SUPREME COURT, EMBODIES A MISUSE OF PATENT RIGHTS AND CONTRAVENES THE POLICY OF THE ANTI-TRUST LAWS, AND THE AGREEMENT AND PATENT ARE THEREFORE UNENFORCEABLE.

The issues of Question One relating to patent misuse and contravention of the policy of the antitrust laws stem from the construction given by the California Supreme Court to Section 2(a) of the license agreement. That Section provides:

“... Lear shall have the right on ninety days’ prior written notice to Adkins, to terminate any one or more of the licenses herein granted.” (A-II. 4, Ex. 8, §2(a), R.T. 296).

Although Lear gave notice of termination under this Section on April 8, 1959, the California Supreme Court held that such notice was ineffective because Lear had not ceased to manufacture products purportedly covered by the agreement—an implied condition precedent read into the agreement by that court.

Since the construction of a contract is a matter of state law, we have assumed that, in accordance with Section 1257(3) of the Judicial Code (28 U.S.C.) (Br. A, *infra* 1) and the decisions of this Court thereunder,⁸ this Court would not deem it appropriate to review the interpretation given by the California Supreme Court, over Lear’s objection, to the license agree-

⁸E.g., *Brinkerhoff-Faris Trust & Savings Company v. Walter O. Hill* (1930), 281 U.S. 673.

ment. We recognize, of course, that if, despite Section 1257(3), this Court were to interpret Section 2(a) of the agreement in accordance with the construction urged by Lear and adopted by the two lower courts, no patent misuse or antitrust violation would be involved. In that event, however, Lear's notice of termination of April 8, 1959 would have been fully effective, and there would be no basis for any liability whatsoever of Lear thereunder after the lapse of ninety days, regardless of the validity or scope of Adkins' patent.

The patent laws provide no support for a requirement that, in order to terminate the license agreement, Lear cease the manufacture of products purportedly covered by Adkins' application and the license agreement. "Until the patent is issued there is no property right in it [the invention], that is, no such right as the inventor can enforce." *Marsh v. Nichols, Shepard and Company* (1888), 128 U.S. 605, 612. Accordingly, since no patent issued to Adkins until 1960, about nine months after Lear's notice of termination, he had no vested rights prior to that time.

Furthermore, the license agreement expressly based the rights and obligations of the parties on Adkins' assumed patent rights—i.e., on those claims "which have been patented or will be patentable by Adkins" (A-II. 4, Ex. 8, § 2(a), R.T. 296); the scope of Adkins' claims was changed several times while the application was pending; the claims were repeatedly rejected by the Patent Office; and the patent which ultimately issued was based on claims added by amendment after Lear's notice of termination. Indeed, at the time of such notice, it was not at all certain that any patent would ever issue on Adkins' application, since, on the average, only about

one patent issues for each two applications. *Dynamics of the Patent System*, William B. Ball (1960), p. 14.

Hence the patent laws provide no non-contractual legal basis for requiring or implying a cessation-of-manufacture condition on the termination rights granted Lear as licensee.

On the other hand, it is clear that a contractual requirement that Lear, or any other manufacturer, cease the manufacture of products in which it is engaged does not comport with the Constitutional objectives of the patent laws. The objectives of those laws, as set forth in the Constitution of the United States (Article I, Section 8, Clause 8), are "to promote the progress of science and useful arts by securing for limited times to . . . inventors the exclusive right to their . . . discoveries". That standard should be controlling in the enforcement of patent rights, whether asserted under a license agreement or in an infringement action.

An agreement which requires Lear to cease manufacturing products purportedly covered by the claims of a pending patent application does not "promote the progress of science and useful arts", and is therefore inconsistent with the Constitutional objectives. Furthermore, such a requirement is a restraint of trade which can be supported only if consistent with the public policy of free competition reflected in the Sherman Act. *Apex Hosiery Co. v. Leader* (1940), 310 U.S. 469.

The freedom of competition required by the Sherman Act, and particularly by 15 U.S.C., Section 1 (Br. A., *infra* 7), clearly calls for the condemnation of any agreement containing a contractual requirement to terminate manufacture, except possibly to the extent that it is

based upon the patent of a licensor where the validity of the patent has already been clearly established. The basic element of patent validity which is essential in order to save any such agreement from unenforceable status of a contract in violation of the Sherman Act cannot be assumed by agreement of the parties. By the same token, it is clearly contrary to the limitations of public policy governing the patent monopoly, to impose such a condition on a right of termination purportedly granted to the licensee under a license agreement.

There is an additional element of public policy here present. The products which Adkins has asserted to be covered by his patent were manufactured by Lear primarily for use in military equipment;⁹ and 28 U.S.C., Section 1498 (Br. A., *infra* 1), requires that claims for patent infringement be made against the Government in the Court of Claims for damages only, thereby precluding any legal action that would impede the manufacture of essential military equipment. It is clearly contrary to the policy thus embodied in 28 U.S.C., Section 1498 to include in any contract with Lear a provision which would require that it cease the manufacture of essential military equipment or, as the sole alternative, pay royalties under what may be, and

⁹Sales of the California 2156 gyros and the Michigan steel gyros were primarily to the Government for military equipment. The 2156 gyros which Adkins worked on were for the MA-1 compass system (R.T. 312-313) which was used in aircraft of the United States Navy (Ex. 33, p. 2; R.T. 322). The steel gyros were used in compass systems and in bombing systems for military aircraft (R.T. 1950-1960). The trial judge reviewed all of the sales information concerning both types of gyros and stated in his opinion that "Neither device was put on the public market"—i.e., all were sold to the Government (A-I. 75).

in this case has been determined by a lower court to be, an invalid patent. If the license agreement, as construed by the state court, is enforced, the parties would be permitted to do by agreement what is prohibited by 28 U.S.C., Section 1498. An agreement cannot be used as a shield to contravene the public policy expressed in an act of Congress. *Sola Electric Company v. Jefferson Electric Company* (1942), *supra*.

Furthermore, the license agreement in this case relied merely upon a pending patent application. Yet it is only after issuance of a patent which is valid that the patentee has "the right to exclude others from making, using or selling the invention. . . ." 35 U.S.C., Section 154 (Br. A., *infra* 4). Accordingly, any requirement that Lear cease manufacturing products before it can terminate the license agreement would seek to assert patent rights not yet established, and would attempt to enforce a patent monopoly not yet in existence.

In *Brulotte v. Thys Co.* (1964), *supra*, this Court found it to be unlawful *per se* to enforce the payment of royalties beyond the expiration date of the patent. In that case the Court severely condemned any use of the leverage which a patent affords as a means of exacting such an agreement. If the Court were to uphold the validity of license agreements containing a termination provision corresponding to that held by the court below to be present here, patent applications could readily be made the basis of a control by licensors of product-manufacture which would constitute an extension of the patent monopoly at least as flagrant as that condemned in *Brulotte v. Thys Co.* (1964), *supra*. There, the court was concerned only with the continued payment of royalties beyond the life of a valid patent.

Here, there is involved a restraint on the process of manufacture itself, not only prior to the issuance of a patent but possibly even in the absence of the ultimate issuance of any patent whatsoever.

When patent rights are sought to be extended by agreement beyond their legitimate scope, there is such a misuse of the statutory patent monopoly that this Court has held the agreements and the related patents unenforceable, whatever the legal device employed. *Scott Paper Co. v. Marcalus Mfg. Co.* (1945), *supra*, *Mercoide Corp. v. Mid-Continent Investment Co.* (1944), 320 U.S. 661; *Morton Salt Company v. G.S. Suppiger Company* (1942), 314 U.S. 488.

Contractual arrangements which have heretofore been held to constitute misuses of patent rights include, in addition to the misuse in *Brulotte v. Thys Co.* (1964), *supra*, attempts to cover unpatented devices, *Mercoide Corp. v. Mid-Continent Investment Co.* (1944), *supra*; attempts to control the use of a product or its selling price after loss of control over the product by the patentee, *United States v. Univis Lens Company* (1942), 316 U.S. 241; attempts to collect royalties on a package of patents, without diminution of royalties, until expiration of the last patent to expire, *American Securit Company v. Shatterproof Glass Corp.* (3rd Cir. 1959), 268 F.2d 769; and attempts by agreement to suppress the manufacture of possibly competing products, *National Lockwasher Co. v. Garrett* (3rd Cir. 1943), 137 F.2d 255 and *McCullough v. Kammerer Corporation* (9th Cir. 1948), 166 F.2d 759.

The patent misuse which was brought about by the decision of the court below is as objectionable after issuance of the patent as it was prior to such issuance.

To imply in the license agreement a condition under which Lear must cease manufacturing in order to terminate the agreement, and at the same time to hold that Lear may not contest validity, as the court below has done, deprives Lear of the defense of invalidity which is provided by the patent laws once the patent actually issues. 35 U.S.C., Section 282 (Br. A., *infra* 5). If Lear continues the manufacture of its products, the opinion below precludes it from challenging the validity of the patent. On the other hand, if Lear ceases such manufacture, it no longer has a basis for such challenge. Yet this Court has held that an express agreement not to contest the validity of a patent is in conflict with Congressional policy. *Katzinger v. Chicago Metallic Mfg. Co.* (1947), *supra* at 402.

Any requirement implied in the license agreement which makes it necessary for Lear, in order to terminate the agreement, to cease the manufacture of products purportedly covered by the claims of Adkins' application or patent, improperly extends any patent rights of Adkins, both before and after the issuance of any patent to him. Such a requirement, brought about by the construction given to the agreement as a matter of state law by the court below, renders both the agreement and the patent unenforceable:¹⁰ The achievement of uniform federal standards makes it mandatory that there be struck down any such application of state law that clashes with the purposes and provisions of the federal patent and antitrust laws. *Sears, Roebuck & Co. v. Stiffel Co.* (1964), 376 U.S. 225.

¹⁰This misuse is made even more onerous by the construction of the agreement by the state court to "cover not only patented or patentable claims disclosed or intended to be disclosed by
(This footnote is continued on the next page)

II

THE COURT BELOW WAS IN ERROR IN HOLDING THAT LEAR, AS LICENSEE, WAS ESTOPPED TO CHALLENGE THE PATENTABILITY OF THE CLAIMS OF ADKINS' PATENT APPLICATION OR THE VALIDITY OF ADKINS' PATENT.

The issues raised by Question Two of the Questions Presented relate to Lear's right to challenge the patentability of the claims of Adkins' patent application and the validity of Adkins' patent which ultimately issued.

The California Supreme Court held that, unless there was a termination of the license agreement in accordance with its terms (including the condition of termination implied by the California Supreme Court), Lear "under the doctrine of licensee estoppel" was prohibited from challenging the validity of Adkins' patent (A-I. 179). Such holding was made, without analysis, merely in reliance on certain textwriters and on a 1932 decision of a Michigan state court. The court also appeared to take the view that any licensee under a patent or under a patent application is always so estopped.

Certain decisions of this Court and of other courts may from time to time have lent some support to the doctrine of licensee estoppel under special circumstances. However, as shown below, reasoned analysis not only demonstrates that general legal principles provide no sound basis for such a doctrine as a matter of general law. It also makes clear that to permit the

the application attached as Exhibit B to the agreement but also such claims in other applications filed for different but related inventions revealed by the exhibit." (A-I. 181). Thus the restrictive conditions imposed by the agreement extend beyond the patent in suit and encompass future patent applications that could extend the monopoly indefinitely into the future.

rule of licensee estoppel to become a doctrine of general application in the state or federal courts would run squarely counter to the fundamental purposes and policies of the federal patent and antitrust laws. As will be pointed out subsequently in this Section, certain facts here present also make particularly objectionable in this case the application of any rule of estoppel.

A. General Legal Principles Provide No Sound Basis for Estoppel of the Licensee Under a Patent or a Pending Patent Application.

As a matter of general law, the essential elements of equitable estoppel are lacking in the granting of a license by the holder of a patent. Such equitable estoppel presupposes misrepresentation or concealment on the part of the person estopped, which has misled the other party as to a matter of substance. Bigelow, *Estoppel* (6th ed.) 604. That doctrine, as stated by this Court, "always presupposes error on one side and fault or fraud upon the other . . .". *Morgan v. Chicago and Alton Railroad Co.* (1878), 96 U.S. 716, 720.

This Court has suggested in *Westinghouse Electric & Mfg. Co. v. Formica Insulation Company* (1924), *supra*, that there is some analogy between estoppel in the conveyance of land and estoppel in the assignment of a patent, so that "fair dealing should prevent him [the assignor] from derogating from the title he has assigned, just as it estops a grantor, of a deed of land from impeaching the effect of his solemn act as against his grantee."¹¹ However, even if the analogy of

¹¹The significance of the opinion expressed by the Court, even as to the assignor of a patent, is dubious in view of the Court's subsequent decision, discussed at p. 41 below, in *Scott Paper Co. v. Marcalus Mfg. Co.* (1945), *supra*.

estoppel by deed is a valid one, it would at most provide a basis for prohibiting the *patentee-licensor* from "derogating from" his patent, as against his licensee. The assignor or licensor receives a monetary consideration which is clearly based on his representation, explicit or implicit, that he has made an invention as to which he has valid rights under the patent laws. The assignee or licensee, on the other hand, makes no such representation. He agrees merely to make payments for a privilege which he assumes can be granted only by the assignor or licensor.

A further analogy which has at times been urged as a basis for estoppel of a patent licensee, is the doctrine under which a tenant is estopped to deny his landlord's title. But it is possession of premises which provides the basis for estoppel of a tenant to deny his landlord's title. Bigelow, *Estoppel* (6th ed.) 550. The tenant in possession of real property enjoys something tangible that is known to exist; it is exactly what he bargained for. On the other hand, the licensee under an issued patent enjoys only an intangible statutory right which can be denied by others, and which as a matter of law may not even exist. If the patent is not valid, the licensee, absent the license agreement, would be free to manufacture or use the unpatentable invention. To preclude the licensee from questioning the validity of the licensor's patent is therefore to prohibit action on his part which any other member of the general public is free to take.

Hence it is not surprising that the courts early recognized that the position of the tenant and the licensee are not comparable. In *Saxton v. Dodge* (1870), 57 Barb. (N.Y. Sup.Ct.) 84, 113, the court, in refusing to

extend to the licensee of a patent the rule of estoppel of a tenant, said:

"It is not like the case of a landlord and tenant, where the latter gets possession of premises, and has benefit of the use and occupation, and the rents and profits. Here the defendants received nothing visible or tangible. They obtained only a pretended exclusive privilege, which the licensors did not own or possess, and could bestow on no one."

As previously noted, the court below appeared to take the view that, even though the rule of estoppel should probably always be invoked as against a patent-licensee, the rule was in any event applicable where a license agreement specifically grants a right of termination to the licensee. But any such purported limitation in the application of the estoppel rule is meaningless where the licensor expressly, or (as here) by a judicial construction of the license agreement, conditions the licensee's right of termination upon his cessation of manufacture. For if such a condition is enforced and at the same time the licensee is estopped to challenge an invalid patent, he is in substance in the same position as he would have been without any such condition concerning termination. It is only the licensee who, even in the absence of patent validity, must pay royalties or cease manufacture. Any other person is subject to such alternatives only if patent validity is established.

The courts have traditionally fashioned the doctrine of estoppel in order to adjust the equities of particular situations. But no equities prompt the estoppel of a patent licensee. If the point is made that, on the faith of the license, the licensor has refrained from initiating an infringement action, the answer is that, as recognized

by this Court in *St. Paul Plow Works v. Starling* (1891), 140 U.S. 184, he is free to initiate such an action or sue for royalties whenever the licensee raises the issue of patent validity and refuses to make further royalty payments.¹² After such a refusal the licensee takes no benefit from the license; the licensor has received full compensation for past forbearance from suit through the royalty payments made prior to the licensee's raising the issue of patent validity; and if the patent is in fact valid, the licensor will at his option be entitled to compensation for further infringement of his patent or, in the absence of an express right of termination, to the specified royalties.

B. It Is Contrary to the Purposes and Provisions of the Federal Patent and Antitrust Laws to Estop a Licensee From Challenging the Validity of His Licensor's Patent or the Patentability of the Claims of His Licensor's Patent Application.

Apart from the lack of any equitable basis, as between the parties, for estoppel of the licensee of a patent, the public interest clearly requires that the validity of a patent be open for test in the courts when challenged by the licensee or any other party of undoubted legal standing, regardless of the particular business relationship or any local rules of equity. For "it is the

¹²In *St. Paul Plow Works*, discussed at p. 38. below, the Court said: "We are of opinion that the license, in the absence of a stipulation providing for its revocation, was not revocable by the defendant, except by mutual consent or by the fault of the other party. If the plaintiff, after receiving the notice [renouncing the license], had sued the defendant for infringement, he would have been properly regarded as acquiescing in the renunciation; but instead of that, he elected to regard the license as still in force, and brought an action to recover the royalties provided for by it, which he was entitled to do."

public interest which is dominant in the patent system." *Mercoïd Corporation v. Mid-Continent Investment Co.* (1944), *supra*. And any rule of estoppel which would preclude the challenge of patent validity is clearly a matter of federal law, and not of state law. *Katzinger v. Chicago Metallic Mfg. Co.* (1947), *supra*.

Insofar as it provides a monopoly as an incentive to invention, the patent system represents a departure from the requirements of freedom of competition implicit in the common law and explicit in the federal antitrust laws. This policy of free competition will be contravened if, as the result of estoppel by contract, the validity of a monopoly asserted under an issued patent is to be screened from judicial scrutiny at the instance of those members of the public who are best able to make the challenge.

The patentability of an invention is resolved in the first instance by the Patent Office in *ex parte* proceedings, in which patentability is a question of law based upon prior art and what the applicant did to improve it. However, there is a "notorious difference" between the standard of patentability applied by the Patent Office and that applied by the courts. *Graham v. John Deere Co.* (1966), 383 U.S. 1. Such difference is attributable, perhaps, to the greater access of the courts to evidence of prior art, to the adversary nature of court proceedings, and to the greater breadth of judicial analysis. *Senate Report No. 1202, 86th Cong. 2nd Sess. 21* (1960).

Despite the fallibility of the Patent Office, any estoppel of the licensee to challenge the validity of a patent requires that he accept the standard of the Patent Office for all purposes. The public interest, on the con-

trary, dictates that invalid patents be revealed, so that they are no longer a threat to free competition. The right to challenge validity "is not only a private right to the individual, but it is founded on public policy which is promoted by his making the defense and contravened by his refusal to make it." *Pope Mfg. Co. v. Gormully* (1892), 144 U.S. 224. The way should be kept open for "interested persons" to challenge validity. *Katzinger v. Chicago Metallic Mfg. Co.* (1947), *supra*. As stated by Judge Frank, concurring in *Aero Spark Plug Co. v. B. G. Corporation* (2d Cir. 1942), 130 F.2d 290, 294, "An invalid patent masquerading as a valid one is a public menace, and should be fair game."

If the way is kept open for all interested persons, including licensees, to challenge validity, higher standards will result, because in no case will the Patent Office standard be conclusive. On the contrary, the Constitutional standard which should be employed by the courts will not be debased by agreement of the parties, but will be uniformly applied in all instances.

In its past decisions this Court has dealt rather gingerly with the basic infirmities in patent policy which, apart from logical considerations, are inherent in a rule of estoppel of a patent licensee. Although in three early cases the Court indicated a possible receptivity to the estoppel rule, the status of the parties in two of these was significantly different from that involved in a mere licensor-licensee relationship.

Thus, in *Kinsman v. Parkhurst* (1856), 59 U.S. (18 How.) 289, where one partner sought an accounting for profits from his co-partner, the Court expressed the view that an assignee of a patent was estopped to allege patent invalidity as against his assignor. In fact, it held

that the relationship of the parties, as partners under an agreement for the sharing of profits from the making and selling of a patented machine, was such as to make immaterial the validity of the jointly-owned patent.

In *United States v. Harvey Steel Company* (1905), 196 U.S. 310, decided fifty years later, recovery was allowed in a suit brought against the United States to recover royalties under an agreement licensing it to use a patented process in making armor plate. A basic issue stemmed from the Government's contention, overruled by the Court, that a clause in the license agreement expressly permitted the Government to terminate its liability for royalties by showing the invalidity of the patent. The Court recognized that the clause had presumably been inserted on the assumption of the parties that a licensee in a suit for royalties was estopped to deny the validity of his licensor's patent, and held that the clause was intended to be effective only on a showing of such invalidity in third-party litigation. However, the Court did not find it necessary to consider the question of estoppel, since, regardless of patent validity, it found that there was no failure of consideration. The licensor was obligated, and in the view of the Court had fulfilled its obligation, to reveal information as to its secret process, and hence the licensee could not avoid its obligation to pay royalties. The Court's reference to the presumed assumption of the parties as to the estoppel of a licensee was not accompanied by any consideration of the merits of that doctrine, and clearly did not constitute an adoption of it.

The text of the opinion in the third case, *St. Paul Plow Works v. Starling* (1891), *supra*, may appear to support a rule of licensee estoppel. There the court stated that inasmuch as the license agreement under which the plaintiff sued for royalties contained no provision for revocation or termination, it was not revocable by the defendant except by mutual consent or by the fault of the other party. However, any conclusion that the decision, as a matter of substance, adopted a rule of licensee estoppel ignores the fact that the Court's statement was clearly predicated on a finding of the fact of patent validity. This is evidenced by the Court's thorough consideration and affirmance of the decision of the lower court, which had upheld the validity of the patent over six prior art patents. When the prior patents were offered in evidence at the trial, "... the plaintiff then and there objected to them, on the ground that the defendant was estopped from denying the validity of the plaintiff's patent". 140 U.S. 184, 189. This objection was overruled, and, despite the showing as to such prior art, the patent was held valid.

It is significant that in *Harvey Steel Company* the Court found it unnecessary to question or refer to *Pope Mfg. Co. v. Garmully* (1892), *supra*, decided the year after *St. Paul Plow Works*, where the Court, in ringing phrase, had announced the importance to federal patent policy of unfettered freedom to challenge invalid patents. There the licensee had agreed that, during the life of the licensed patents, it would not dispute the licensor's title to or the validity of those patents, as

well as of certain other patents. In denying injunctive relief to the licensor, the Court indicated that the agreement might well be void as against public policy, stating (p. 234):

"It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly."¹³

Although on various occasions since *Harvey Steel Company* the estoppel-rule has been involved in cases which have come before it, the Court has never announced its adherence to the rule. On the contrary, with one exception, it has in each case found that the rule should not be applied under the circumstances there present. Thus, in *Sola Electric Company v. Jefferson Electric Company* (1942), *supra*, the Court held that the rule of licensee-estoppel was so in conflict with the Sherman Act's prohibition of the price-fixing stipulation in the license agreement that it should be ignored. Significantly, the Court pointed out that in *Harvey Steel Company*, where there was no price-fixing stipulation, "this rule of estoppel, which was not questioned by counsel, was applied without discussion", and specifically stated that it was not deciding whether any such rule was "rightly applied" in that case. Five years later, in *Katzinger v. Chicago Metallic Mfg. Co.* (1947), *supra*, and *MacGregor v. Westinghouse Elec. & Mfg. Co.* (1947), 329 U.S. 402,

¹³Cf. the following similar statement from the recent opinion of Mr. Justice Black, writing for a majority of the Court in *Perma Life Mufflers, Inc. v. International Parts Corp.* (1968), 392 U.S. 134, 138;

"We have often indicated the inappropriateness of invoking broad common-law barriers to relief where a private suit serves important public purposes."

the Court re-affirmed its holding in *Sola Electric, supra*. It did so even though the licensor in these later cases, unlike the licensor in *Sola Electric*, was not seeking to enforce the agreement's price-fixing provisions, and even though the license agreement in *Katzinger* included a provision to the effect that if the licensee elected to terminate the agreement without ceasing to manufacture the specified products, the licensee would "be estopped from denying the validity of said patent . . . and be deemed an infringer thereof."

In *Automatic Radio Manufacturing Co. v. Hazeltine Research, Inc.* (1950), 339 U.S. 827, the next action involving licensee estoppel which came before it, the Court decided that the licensee should not be permitted to challenge the validity of the licensed patents. However, the license agreement involved about seven hundred patents or patent applications, and the licensee, after being sued for royalties under the agreement, merely pleaded a partial failure of consideration in that about ten of the seven hundred were alleged to be invalid. The lower court decisions show that the license agreement was entered into for the purpose of settling litigation and that the consideration for the license agreement was freedom from suit with respect to the seven hundred patents and applications. *Hazeltine Research, Inc. v. Automatic Radio Mfg. Co.* (D. Mass. 1948), 77 F. Supp. 493; affirmed, (1st Cir. 1949) 176 F. 2d 799. Under such special circumstances there were ample grounds for precluding any challenge of the validity of the patents and applications, and the issue of licensee estoppel, as a matter of general principle, was immaterial.

A few months after *Automatic Radio Manufacturing Co.* (1950), *supra*, this Court resolved some uncertainty

as to the law governing patentability of an invention and validity of a patent, by holding that such questions are ultimately questions of federal law. *Great A. & P. Tea Co. v. Supermarket Equipment Corp.* (1950), 340 U.S. 147. This was reiterated in *Graham v. John Deere Co.* (1966), *supra*. These holdings came after the Court's earlier ruling in *Sola Electric Company v. Jefferson Electric Company* (1942), *supra*, that local rules of estoppel would not be permitted to thwart the purposes of the federal statutes and policies. Accordingly, licensee estoppel has no standing where a question of federal law is in issue, such as patentability or the validity or infringement of a patent.

Prior to *Automatic Radio Manufacturing Co.*, this Court had held in *Scott Paper Co. v. Marcalus Mfg. Co.* (1945), *supra*, that estoppel would not apply against an assignor of a patent where the assignee, suing the assignor for infringement, sought to foreclose the assignor from making use of the prior art of an expired patent which had anticipated the assigned patent. The rationale of the Court was succinctly stated in its opinion:

"... the patent laws preclude the petitioner assignee from invoking the doctrine of estoppel, as a means of continuing as against respondent, his assignor, the benefit of an expired monopoly, and they preclude the assignor from estopping himself from enjoying rights which it is the policy of the patent laws to free from all restrictions. For no more than private contract can estoppel be the means of successfully avoiding the requirements of legislation enacted for the protection of a public interest."¹⁴ (326 U.S. 249, 257).

¹⁴Compare the following statement of Mr. Justice Douglas, with whom Mr. Justice Black concurred, in his dissenting opin-

This Court should now explicitly recognize that the same paramount considerations which prompted its pronouncement in *Scott Paper Co.*, of the fundamental inconsistency of assignor-estoppel with federal patent policy, call for a similar pronouncement here that federal patent laws and policy must override whatever dubious common-law considerations may in the past have led some state courts to adopt a rule of licensee-estoppel.

C. Certain Facts Here Present Make Particularly Objectionable in This Case Any Estoppel of Lear, as Licensee.

- (a) **Lear, by Notice to Adkins, Renounced the License Agreement and Asserted Failure of Consideration by Reason of Non-Patentability of the Purported Invention and Invalidity of the Patent.**

Lear renounced any liability with respect to the Michigan steel gyros on September 10, 1957, by notifying Adkins of the existence of prior art which showed that any claims of Adkins' patent application that might be of sufficient scope to cover the Michigan steel gyros were not patentable (A-II. 26, Ex. 36, R.T. 505). Subsequently, on April 8, 1959, Lear gave Adkins notice of termination of the entire agreement (A-II. 27, Ex. 39,

ion at p. 840 in *Automatic Radio Manufacturing Co. v. Hazeltine Research, Inc.*, supra:

"It is only right and just that the licensee be allowed to challenge the validity of the patents. . . . No other person than the licensee will be interested enough to challenge them. He alone will be apt to see and understand the basis of their illegality."

Compare also the view recently expressed by Mr. Justice White in *United States v. Singer Mfg. Co.* (1963), 374 U.S. 174, 200 where he noted in his concurring opinion:

" . . . that public policy favors the exposure of invalid patent monopolies before the courts in order to free the public from their effects. Thus a licensee may not be prevented from attacking the validity of his licensor's patent."

R.T. 510). Thereafter, Lear no longer recognized the agreement as having any effect, claimed no rights under it, and made no further royalty payments. When Adkins brought suit for royalties, Lear in its answer pleaded failure of consideration with respect to all causes of action asserted by Adkins, on the ground of unpatentability of the claims of Adkins' application, and further alleged that the claims of the patent which ultimately issued were not patentable (A-I. 46, C.T. 1655-Fifth Defense; R.T. 2057, 2317).

Although the Superior Court recognized Lear's renunciation of the license agreement with respect to the Michigan steel gyros and determined Adkins' patent to be invalid, the California Supreme Court refused to consider patentability or validity or failure of consideration, on the ground that Lear was estopped to challenge these matters for all purposes. Such refusal of the California Supreme Court to recognize the inapplicability of the estoppel rule, even where the licensee specifically disclaims any further rights as licensee, is contrary to views expressed by many other courts and by this Court.

Thus, in *Crew v. Flanagan* (Minn. 1954), 242 Minn. 549, 65 N.W. 2d 878, the Minnesota Supreme Court, after reviewing the various decisions of other courts, stated:

"... But the view now supported by the weight of authority in recent cases is that the licensee may dispute the validity of the patent under which he is licensed after he has repudiated the license, even though such patent has not been shown to be invalid in third-party proceedings."

A similar view found early expression, as a matter of federal law, in *Brown v. Lapham* (C.C.N.Y. 1886), 27 F. 77, where the court said:

"... When he [the licensee] stands out from under the license, and claims nothing from it, and does nothing more under it, with full knowledge to the licensor of his position, he would appear to be at as full liberty to contest the patent as anyone."

To the same effect were *Holmes, Booth & Haydens v. McGill* (2nd Cir. 1901), 108 Fed. 238, and *Bucky v. Sebo* (2nd Cir. 1953), 208 F.2d 304.

In *Dale Tile Manufacturing Company v. Hyatt* (1888), 125 U.S. 46, this Court affirmed as "clearly right" a decision of the New York Court of Appeals holding a licensee liable for royalties, on the ground that while the licensee retained and acted under its license from the plaintiff, it could not, in the absence of a determination of invalidity of the patent in third-party litigation, deny the validity of the patent. But the Court quoted at length the lower court's opinion, which, as quoted at p. 50, had stated:

"In other words, so long as the defendant continues to manufacture under its license (the patent not having been legally annulled), and thus elects to treat the agreement as in existence, it prevents the plaintiff from treating the defendant in any other light than that of a licensee. If the defendant desired to repudiate any obligation under this agreement, it should have given notice to the plaintiff that it refused to longer recognize its binding force, and that it would thereafter manufacture under a claim of right founded upon the alleged invalidity of the patent."

Recognition of the right of the licensee to renounce a license agreement where he challenges the validity of his licensor's patent does not, of course, provide such a licensee with immunity in the event of a determination of validity. As recognized in the passage quoted above (p. 34-n. 12) from this Court's opinion in *St. Paul Plow Works* (1891), *supra*, such a licensee must be willing to run the risk that the licensor will be successful in an infringement action, with a right to recover damages, including punitive damages, which may far exceed the royalties that the licensee would otherwise have paid. But of course the licensor, if he so elects, may, in reliance on his ability to sustain the validity of his patent, take the position that the license agreement is still in effect and sue for royalties. As this Court recognized in *St. Paul Plow Works*, "The defendant [the licensee] could not coerce the plaintiff into putting an end to the contract, by the means it adopted."

- (b) The License to Lear Was Granted Under a Pending Patent Application, and the Patentability of Adkins' Claims Was Challenged Prior to the Issuance of Any Patent Thereunder.

This Court clearly indicated in 1924 that estoppel to contest the claims of an application for a patent may be subject to different considerations than are applicable to issued patents. *Westinghouse Electric & Mfg. Co. v. Formica Insulation Company* (1924), *supra*. That case was concerned with the possible estoppel of the assignor of a patent application to contest validity in a suit by the assignee, alleging infringement of the subsequently-issued patent. After observing that, although the Court would not lightly disturb the recognized rule

of estoppel of an assignor of an issued patent, Chief Justice Taft, writing for the Court, stated:

"... The case before us, however, concerns assignment of an invention and an inchoate right to a patent therefore before the granting of it which, after the assignment at the instance of the assignee, ripened into a patent. . . . When the assignment is made before patent, the claims are subject to change by curtailment or enlargement by the Patent Office with the acquiescence or at the instance of the assignee, and the extent of the claims to be allowed may ultimately include more than the assignor intended to claim. This difference might justify the view that the range of relevant and competent evidence in fixing the limits of the subsequent estoppel should be more liberal than in the case of an assignment of a granted patent. How this may be, we do not find it necessary to decide." 266 U.S. 342, 353.

Whether it is consistent with the purposes and provisions of the federal patent laws to estop a licensee under a patent application has also been questioned in at least two cases subsequent to the decision in the *Westinghouse* case: *Baldwin Rubber Co. v. Paine & Williams Co.* (6th Cir. 1939), 107 F.2d 350; and *Stubnitz-Greene Spring Corporation v. Fort Pitt Bedding Co.* (6th Cir. 1940), 110 F.2d 192.

The controlling applicability, as to a license agreement under a pending patent application, of this Court's decision in *Scott Paper Co. v. Marcalus* (1945), *supra*, was recognized in *United States v. General Instrument Corp.* (D.N.J. 1953), 115 F.Supp. 582, where the court, in reliance upon the passage from this Court's opinion in *Scott Paper Co.* quoted above (p.

41) refused to approve a provision of a proposed consent decree under which, in licenses to be granted under pending patent applications, the licensee would agree not to contest the validity of any patent subsequently issued thereunder. The lower court's view was that "... an agreement by a licensee not to contest the validity of a patent would unlawfully extend the scope of monopoly granted under the patent laws beyond their boundaries into the domain where the public has an interest, to which such a private contract would be repugnant." (115 F.Supp. 582, 590)

The circumstances here present, under which the court below estopped the licensee under a patent application, illustrate the soundness of the concern voiced by this Court in *Westinghouse* and the condemnation expressed by the lower federal court in *General Instrument Corp.* For here the patent application had been amended six times (A-II. 68, 77, 81, 90, 96, 103, Ex. P, 36, 45, 49, 58, 64, 71, R.T. 1328) after its filing on February 15, 1954. The amendments altered not only the claims for which a monopoly was sought, but altered also the description of the invention in the specification. The patent issued with claims which Lear, as licensee, had never seen. They were not in the nature of method claims which had been contained in the application when the license agreement was signed. On the contrary, they were directed to apparatus rather than method and had been neither filed nor allowed when Lear as licensee gave notice of termination on April 8, 1959.

To invoke the rule of estoppel against a licensee under such extreme circumstances would, in clear contravention of the Constitutional standard for a patent monopoly and the basic policy of the patent laws, grant

a potential *de facto* patent monopoly to any person who, under the guise of a purported invention, has an application on file with the Patent Office.

(c) The License Agreement, as Interpreted by the Court Below, Embodies a Condition Which, in the Absence of a Valid Patent, Is in Restraint of Trade and Unenforceable.

Section I of the Argument has set forth the basis upon which we believe this Court should hold that any contractual requirement of cessation of manufacture as a condition of termination clearly constitutes a patent misuse and contravenes the policy of the antitrust laws. If, as urged in that Section, the inclusion of such a provision renders the entire agreement unenforceable, regardless of the validity of Adkins' patent, then the issue of estoppel to challenge such validity need not be considered. However, if it is the view of the Court that the misuse of the patent monopoly and the extension of the monopoly by either the patentee or by the state court, through construction of the agreement, does not render the agreement unenforceable, then the validity of the patent must be considered. For then, in the words of Judge Frank, a valid patent is necessary to "rescue" the agreement "from the jaws of the anti-trust laws"¹⁵, and clearly estoppel of either party, even if acceptable under some circumstances, would be squarely at variance with sound principles of the patent and antitrust laws.

Prior decisions of this Court support, and indeed compel, this conclusion. Thus, in *Sola Electric Company v. Jefferson Electric Company* (1942), *supra*, and

¹⁵*Nachman Spring-Filled Corporation v. Kay Mfg. Co.* (2nd Cir. 1943), 139 F.2d 781, 784.

MacGregor v. Westinghouse Elec. & Mfg. Co. (1947), *supra*, the Court held that where a license agreement contains a provision which, in the absence of a valid patent, would be in restraint of trade, the rule of licensee estoppel cannot be used as a shield to preclude investigation of the validity of the patent. And this is the case, even if such an agreement includes an express undertaking of the licensee not to challenge the validity of the patent. *Katzinger v. Chicago Metallic Mfg. Co.* (1947), *supra*. To allow estoppel by a state court under such circumstances would, contrary to *Sears, Roebuck & Co. v. Stiffel Co.* (1964), *supra*, sanction the application by the state courts generally of purported non-federal legal doctrine in a manner which would debase the Constitutional standard of patentability and undermine basic objectives of the federal patent and antitrust laws.

III.

THE RECORD BEFORE THE COURT SHOWS THAT THE CLAIMS OF ADKINS' APPLICATION WERE NOT PATENTABLE, AND THAT HIS PATENT IS INVALID.

This Court has given abundant recognition to the paramount public importance of resolving questions of patent validity. *Sinclair & Carroll Co. v. Interchemical Corp.* (1945), 325 U.S. 327, 300. Furthermore, in *MacGregor v. Westinghouse Elec. & Mfg. Co.* (1947), *supra*, where the Court held that a state court had been in error in estopping a patent licensee, its opinion indicated that it could pass on the issue of patent validity where the record was sufficient to enable it to do so. In that case, however, the Court held the record to be insufficient.

In this case the issue of the validity of Adkins' patent would of course not require determination if, for the reasons advanced in Section I of the Argument, the Court were to hold that this case should be disposed of on the ground that the license agreement is unenforceable, regardless of the validity of the patent. However, even if the license agreement is held to be enforceable, we have urged that, for the reasons advanced in Section II of the Argument, Lear is not estopped to challenge the validity of Adkins' patent. In that event a determination that the patent is invalid would eliminate any remaining issues and would effectively and promptly terminate eight years of state-court litigation involving basic questions solely of federal law.

Unlike the record in *MacGregor*, there is an ample record before the Court in this case relevant to the patentability of the claims of Adkins' application and the validity of his patent. Furthermore, the Superior Court, as a matter of law, has already determined such claims to be unpatentable and Adkins' patent to be invalid, resting its conclusion entirely on an analysis of certain prior art patents which were in evidence and are a part of the record.

Accordingly, we deem it appropriate to call the attention of the Court to those portions of the record which establish the invalidity of Adkins' patent, so that by passing on that issue, as raised by Question Three of the Questions Presented, the Court may be in a position to effect a final disposition of this already pro-

tracted litigation. Such a disposition of the case will preclude the risk of further state-court error in applying the Constitutional standard of patentability—an area which this Court has recognized as particularly within its province. *Graham v. John Deere Co.* (1966), *supra*.

The only claims of the application that were found to be patentable are claims 9-16 of the patent, which are directed to an apparatus for supporting bearings in alignment (A-II. 24, Ex. 10, R. T. 304)¹⁶. The alignment of bearings on the opposite ends of a shaft to reduce friction is a well-known and simple principle of mechanics, which was previously before this Court in *Singer Mfg. Co. v. Cramer* (1904), 192 U.S. 265, 269.

The apparatus for supporting bearings in alignment which is shown and described in Adkins' patent employs three elements which are admittedly old in the art (R.T. 2883). The elements are: a pair of bearing-receiving elements, supports for the elements located at opposed locations, and means for retaining the bearing-receiving elements in the supports after they have been aligned.

The drawings and the detailed description of the patent show bearing-receiving elements having both a cavity for receiving the bearing and a spherical surface to engage the surfaces of the supports and provide a

¹⁶The other claims and the other subjects covered by the patent are not involved in this action (R.T. 1278).

rocking action for alignment. The supporting surfaces are cone-shaped surfaces in the gimbal or frame. The means for securing the bearing-receiving elements in the supports is described as solder, cement, weld or screws.

Thus, the apparatus for supporting bearings which Adkins' patent describes is essentially a ball-and-socket, as illustrated in Figure 1.

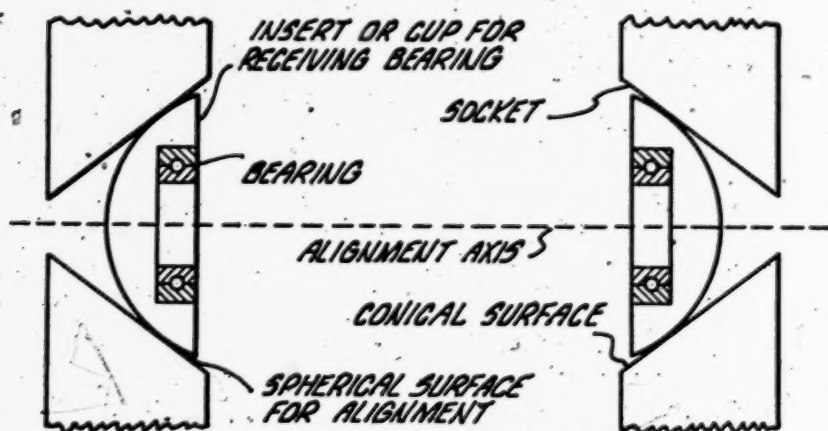


FIGURE 1.

The portion of Adkins' description of the bearing supporting apparatus contained in the original specification and the figure of the application which are directed to such supporting apparatus are shown on Figure 2, opposite this page. Figure 2 also shows the main claim of Adkins' patent (Claim 9) with the three elements, referred to above, designated by the letters a, b, and c. This figure also shows a simplified schematic of the elements taken from the patent drawing, in an assembled configuration at the bottom of the figure and broken away in an exploded view at the side of the figure, with

DESCRIPTION OF INVENTION FROM ORIGINAL SPECIFICATION FILED

February 15, 1954

This invention relates to gyroscopes and more particularly to balanced vertical flight gyroscopes or gyro vertical for use in aircraft and the like. The invention is especially addressed to a novel erecting mechanism well adapted to vertical gyroscopes, and to a novel caging system and method of assembling, applicable to gyroscopes in general.

A further object of the invention is to provide a novel method of aligning the various bearings in the gimbal mountings, whereby exact coaxial alignment and parallelism between opposed bearings may be achieved.

The method of insuring exact coaxial alignment and parallel spacing of the various ball bearings employed in the rotor and gimbals includes the steps of providing annular inserts having peripheral spherically shaped surface portions adapted to be seated against inner conical surfaces provided in the gimbal frames. The ball bearing races are in turn secured to these inserts and the respective surfaces positioned relative to each other with the aid of a suitable jig until the desired alignment is realized. The inserts are then secured in place either mechanically or by cementing and the aligning jig removed. The engaging spherical and conical surfaces permit the bearing race axis to be oriented in any direction during the adjusting period whereby coaxial alignment and parallelism of the bearing races may be easily effected. Other surfaces capable of being aligned and fixed in position such as a sphere in sphere, knife edges or other devices may be used without coming outside the scope of this invention, and the method may be used to align the holder for the inner or outer races, or both.

A better understanding of the various features of the present invention will be had by referring to the accompanying drawings in which:

Figure 2 is an elevational cross-sectional view of a preferred construction of the gyroscope in which the various gimbal mountings are all co-planar for purposes of illustration;

Bearing alignment

Referring once again to Figure 2, a feature of the present invention contemplates a novel method for insuring

ings 59 and 60 mounting 11 in each other and gimbal mounting bearing friction

In accordance with the invention, the faces 62 of the ring 11 are of such shape that they are in turn secured to the annular peripheral surface of a sphere, adapted to be seated against the inner conical surfaces of the gimbal frames. During the initial assembly of the bearings 59 and 60, the conical shape of the peripheral surface of the bearing may be applied to the inner conical surface of the gimbal frame, so as to be accommodated by the different curvatures of the two surfaces. The insert is then secured in the sockets as by cementing or other means, for example.

The assembly method may be applied to the shaft S and for 10 journaling

The jig used in the method of the invention is simple and in one embodiment is a block upon which the bearings are seated in their support. The bearings to be round, with the conditions with which a jig requires to secure such a tolerance. The present invention requires the use of aligned and co-planar surfaces. Such a jig is both easy to get out of the way and

While the use of the present invention has been mentioned in connection with cooperating surfaces, it is to be understood that the conical surface can be replaced by other conical surfaces and other com-

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Figure 2 is an elevational cross-sectional view of a preferred construction of the gyroscope in which the various gimbal mountings are all co-planar for purposes of illustration;

Bearing alignment

Referring once again to Figure 2, a feature of the present invention contemplates a novel method for insuring precise coaxial alignment of the various bearings journaling the gimbal and rotor shafts. As an example, the bear-

ings 59 and 60 shown secured to opposite sides of gimbal mounting 11 in Figure 2, must be coaxial with respect to each other and lie in parallel planes in order that the inner gimbal mounting shafts 61 will be supported for minimum bearing friction.

In accordance with the method, the inner annular surfaces 62 of the sockets in the intermediate gimbal mounting 11 are of a conical shape. The bearings 59 and 60 are in turn secured to insert elements 63 each having an annular peripheral surface 64 of the shape of a portion of a sphere, adapted to seat against the conical surface 62. During the initial adjustments, a suitable jig supports the bearings 59 and 60 and attached inserts 63. Because of the conical shape of the surface 62 and the spherical shape of the peripheral surface 64 of the inserts, the axis of each bearing may be properly oriented by a rotating motion applied to the race. This latter motion can be easily accommodated by the engaging surfaces in view of their different curved shapes. It is thus possible to align precisely the two bearings by means of a jig, at which moment the inserts 63 are secured to the gimbal mounting sockets as by cementing, welding, soldering, or by screws, for example. The aligning jig may then be removed and the assembly of the gyroscope completed. The same method may be employed for mounting the rotor 13 on the shaft S and for aligning the bearings in the outer gimbal 10 journaling the inner gimbal 11.

The jig used in aligning the bearings may be very simple and in one form takes the shape of a cylindrical rod upon which the bearings are slid preparatory to mounting in their supports. The rod is, of course, accurately formed to be round, without taper, and straight, and held to these conditions within extremely small tolerances. While such a jig requires precision work, it is comparatively simple to secure such a rod and maintain it within the required tolerances. Previous methods of construction have required the use of precision boring jigs to bore accurately aligned and concentric holes to receive the bearings, and such a jig is both difficult and expensive to fabricate, and easy to get out of adjustment.

While the use of mating conical and spherical surfaces has been mentioned, it is apparent that other similarly cooperating surfaces can be used. For example, a spherical surface can be used within another spherical surface, and other combinations can be employed. Similarly, the inner race of a bearing may be aligned with its holder, or both the inner and outer races may be aligned with their respective holders.

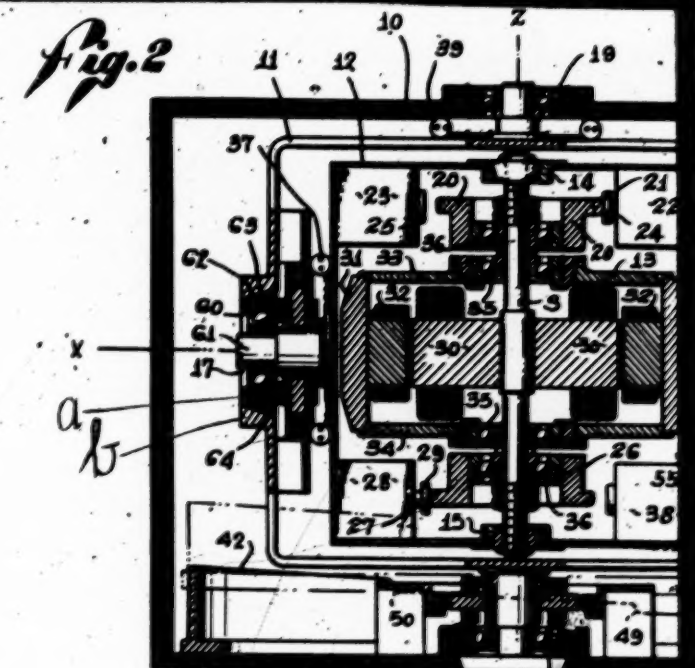


Figure 2 from
Adkins' Patent

Schematic of
Assembled Apparatus
For Supporting Bearings
Taken From Above Drawing

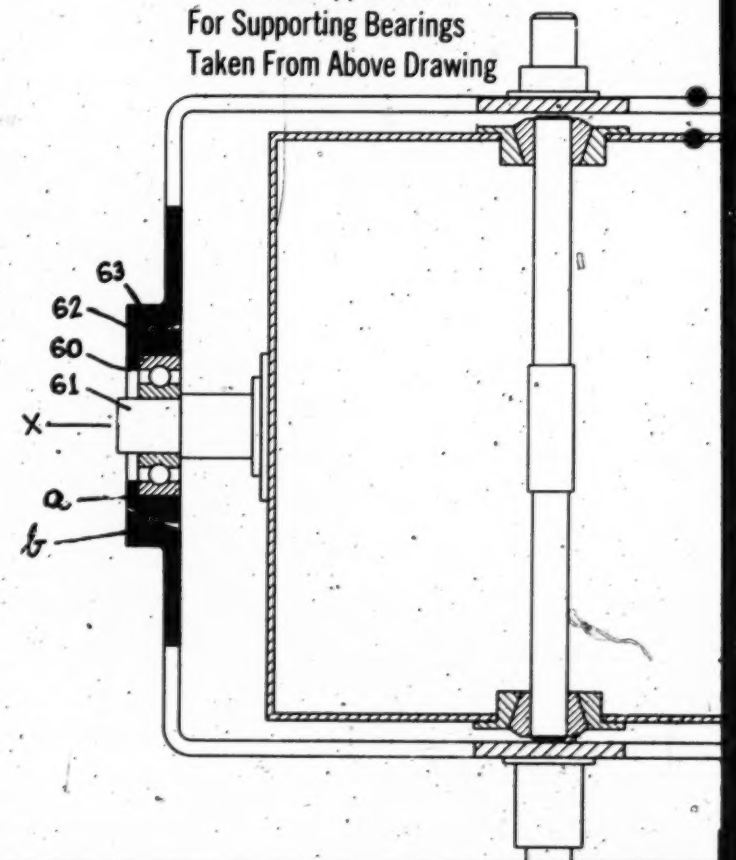


Fig. 2

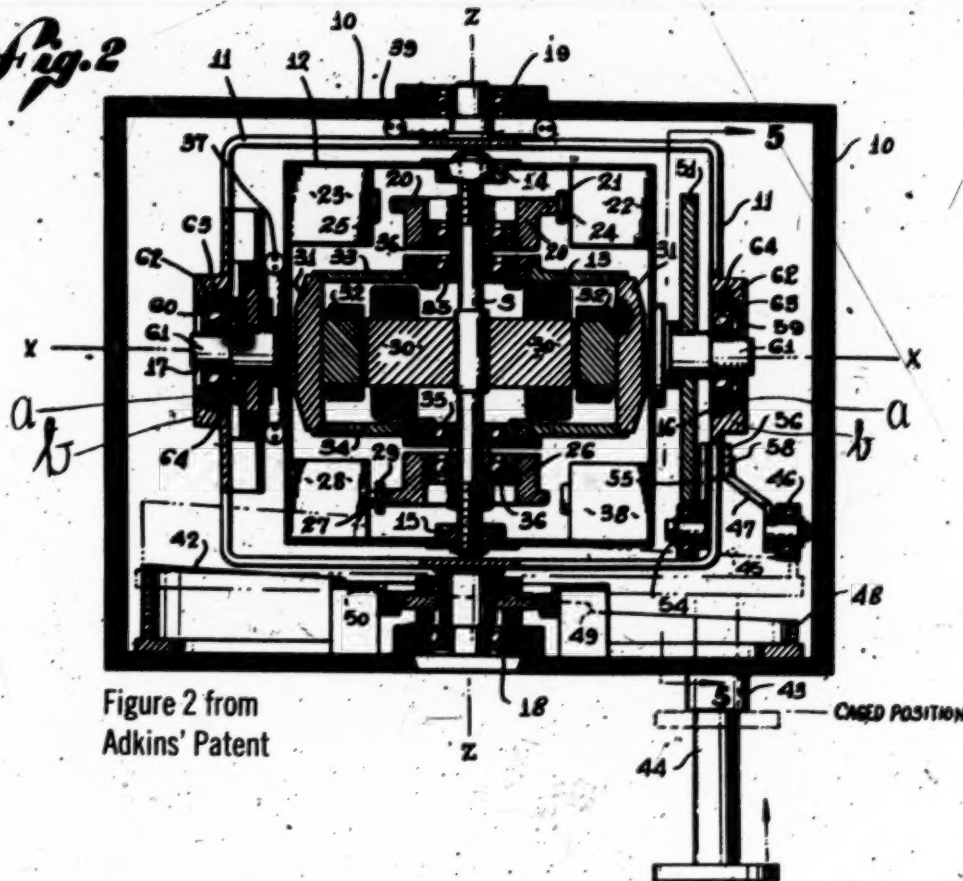


Figure 2 from
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Schematic of
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For Supporting Bearings
Taken From Above Drawing

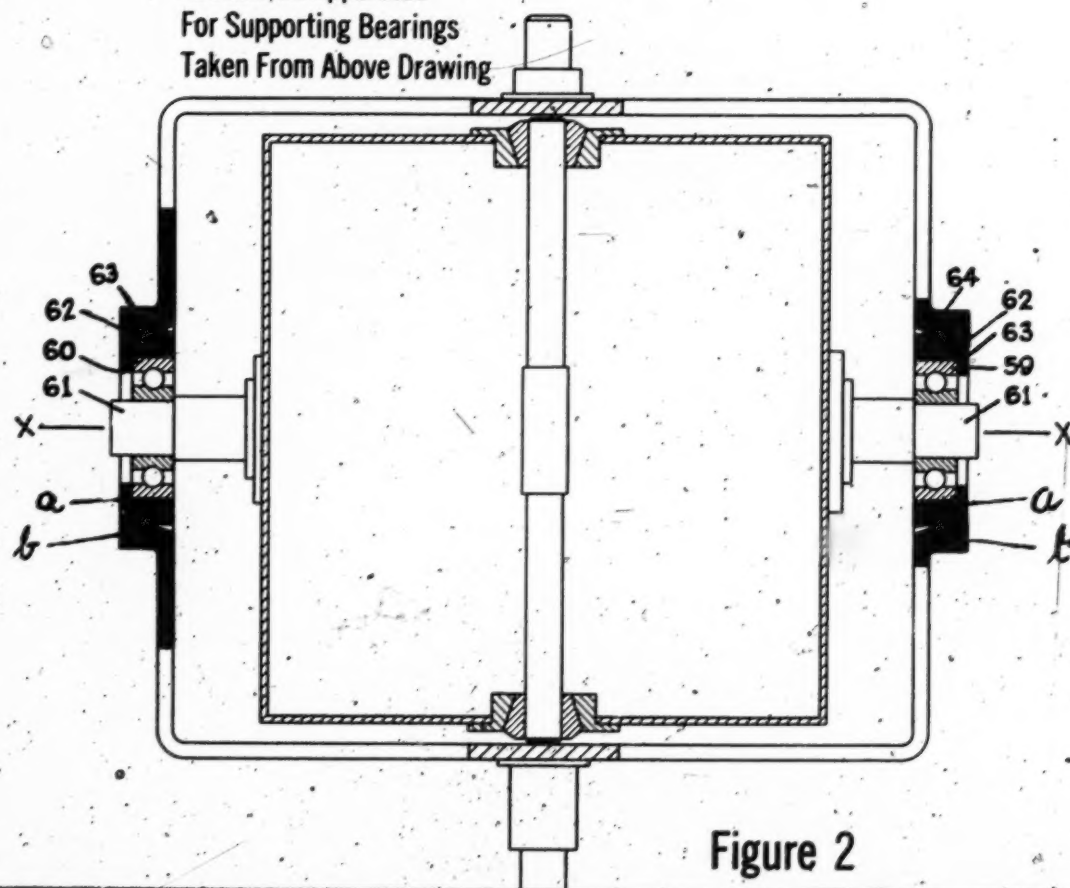


Figure 2

MAIN CLAIM

CLAIM 9

An apparatus for supporting bearings in aligned relationship which comprises,

- a. a pair of bearing-receiving elements each providing means to removably support a bearing in a fixed relationship with said element,
- a.' each of said bearing-receiving elements having a mounting surface by which it may be supported,
- b. means for supporting said bearing-receiving elements at opposed relatively spaced positions,
- b.' said supporting means providing supporting surfaces generally corresponding to said mounting surfaces and permitting said elements to be initially adjustably shifted relative to said supporting means into oriented positions where said bearing-supporting means are in alignment with each other,
- c.* and means to retain said bearing-receiving elements in said oriented positions to permit pairs of bearings to be interchangeably mounted in aligned relationship supported by said bearing supporting means.

*Not shown on Adkins patent drawing, but described as solder, cement, weld, screws, etc. (Col. 7, lines 48 & 49 of Ex. 10) or generally as securing in place either mechanical or by cementing (Col. 2, lines 56 & 57 of Ex. 10).

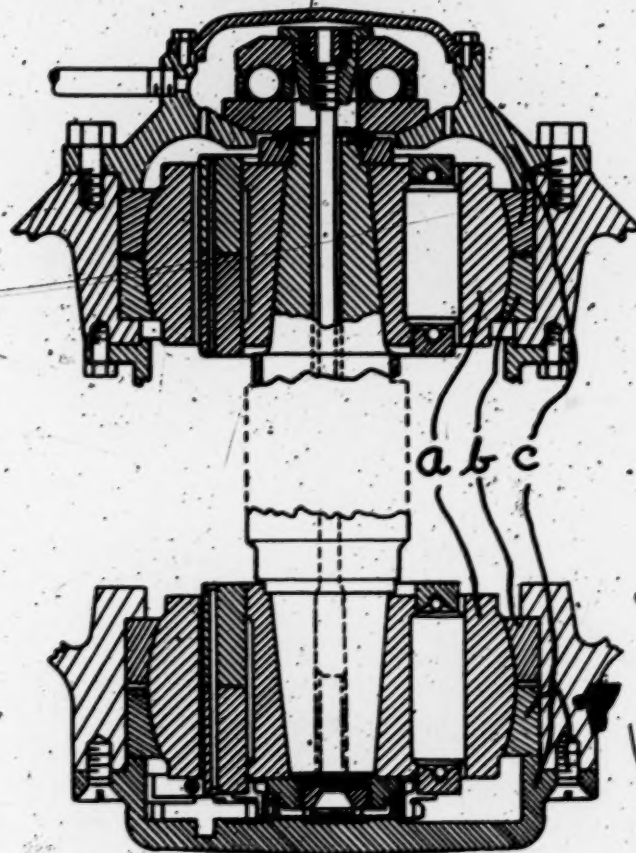
EXPLODED VIEW OF ELEMENTS OF APPARATUS

Fig. 2 of 60

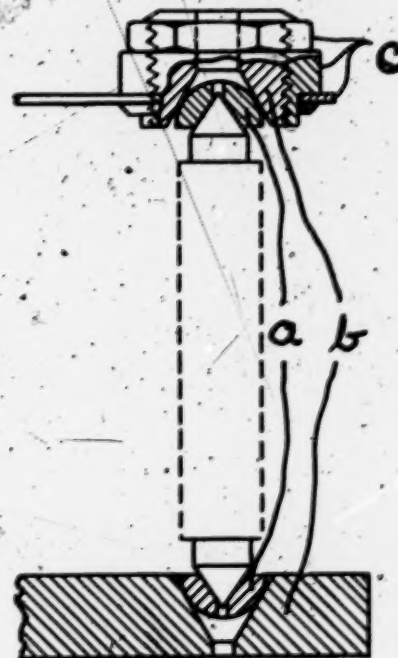


FOR SUPPORTING BEARINGS OF ADKINS'
AND PRIOR ART PATENTS

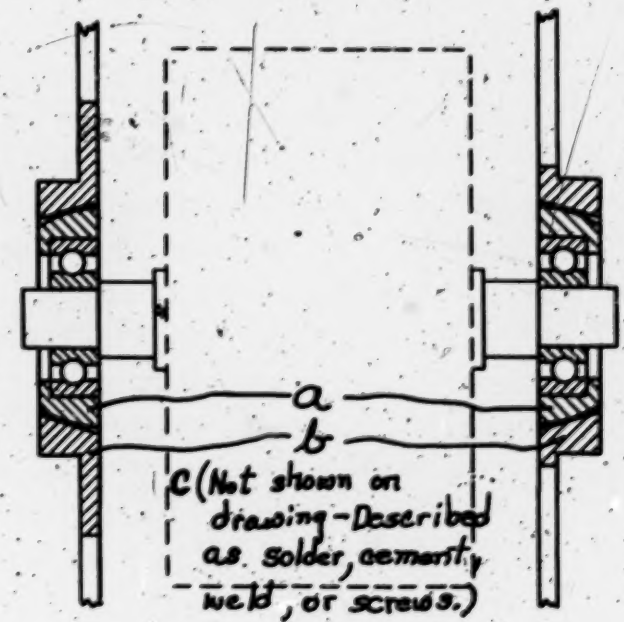
SPERRY PATENT 1342397
(EXHIBITS A-51 & A-52)



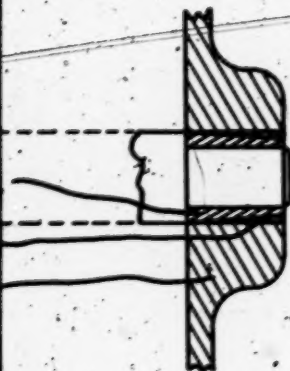
HERR PATENT 2633544
(EXHIBITS A-45 & A-46)



ADKINS' PATENT 2919586
(EXHIBITS 10 & A-25)



PATENT 2531334
(EXHIBITS A-27 & A-28)



the letters being applied to the corresponding elements. Two of the elements, a and b, have specific limitations which are identified as a' and b'.

The descriptive material of the specification is directed primarily to the method of assembling the gyro, and it refers to the use of a jig or rod for positioning the bearings in proper alignment. However, it is essential to note that the claims of the patent are limited to structural apparatus, and that they do not cover the method of employing the jig or rod which is described.

The descriptive material mentions in passing that the supporting surfaces may be a sphere in a sphere or knife edges, as well as the combination of sphere and cone which is described in detail.

Alignment is achieved by causing the outer periphery of the respective bearing-receiving elements to move on the surface of the socket to the desired orientation. This is described in the patent as follows:

"Because of the conical shape of the surface 62 (in the gimbal or frame) and the spherical shape of the peripheral surface 64 of the inserts, the axis of each bearing may be properly oriented by a rotating motion applied to the race. This latter motion can be easily accommodated by the engaging surfaces in view of their different curved shapes." (A-II. 23, col. 7 of Exhibit 10, R.T. 304).

The Michigan steel gyros employ a pair of bearing-receiving elements in which alignment is achieved in a different manner. It is done by positioning the elements in oversize holes located at opposite sides of the frame, as illustrated in Figure 3 on page 54.

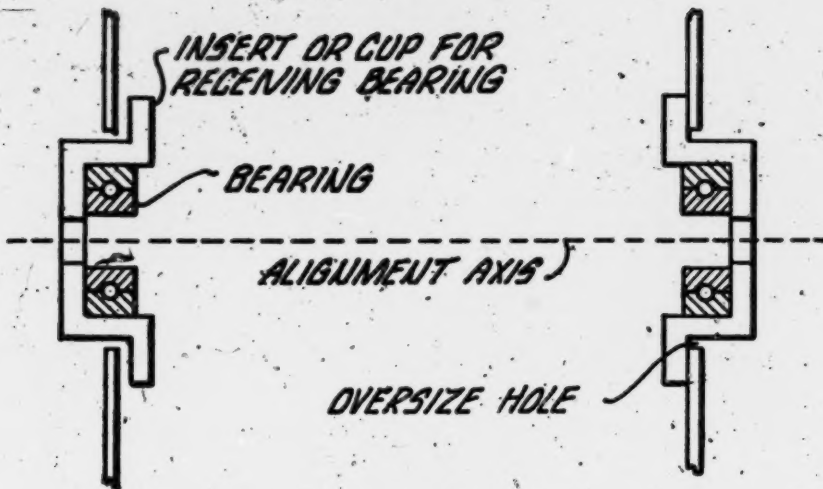


FIGURE 3.

Adkins asserts that his claims cover the structural apparatus of the Michigan steel gyros, as illustrated in Figure 3. Thus, a review of the validity of the claims of Adkins' patent must be based directly upon the structural apparatus illustrated in Figure 1. Furthermore, if the claims are to be construed broadly enough to cover the Michigan steel gyros, they must also be based upon the structure illustrated in Figure 3. However, if the claims as so construed also read on the prior art, they are invalid.

As determined by this Court in *Great A. & P. Tea Co. v. Supermarket Equipment Corp.* (1950), *supra*, the question of patentability of the alleged invention is a question of federal law. The Superior Court noted the applicable standard of invention stated in *Great A. & P. Tea Co.*, where, as here, all of the elements of the claimed invention were old. Applying this standard, the court held that "the prior art . . . dissipate [sic] any presumption of validity in the case at bar"

(A-I. 80), and, without relying on the extensive testimony in the record (R.T. 1066-2572) but solely on the basis of the uncontroverted prior art patents¹⁷ in evidence, found invalidity as a matter of law.

The court found that Adkins' device was anticipated¹⁸ by the patent to Grenat which was cited by the Patent Office, and that a mechanic¹⁹ with ordinary skill could make Adkins' device from the teachings of the patent to Herr, which was not cited (A-I. 77-79). Furthermore, the court found that, to the extent that Lear's Michigan steel gyros might be within the scope of Adkins' patent, there was complete anticipation by the patent to Schwan, and that they would be obvious in view of the patent to Moody (A-I. 78).

A comparison by this Court of the apparatus defined by the claims of Adkins' patent, and of the prior art shown in the patents considered by the Superior Court, will support that court's conclusion that "... a dunderhead oversizing ever so little the bearing holes in Moody's patent, or using Schwan's bearing as it is, would come up with precisely the device manufactured by Lear (*i.e.*, the Michigan steel gyro)" (A-I. 81). Such a comparison is readily made by inspection of the side-by-side drawings of each apparatus shown in Figures 4-I and 4-II, between pages 56 and 57. Such

¹⁷The prior art patents that were considered by the Superior Court are: Grenat (A-II. 118, Ex. A-27, R.T. 1138). Herr (A-II. 148, Ex. A-45, R.T. 1162). Schwan (A-II. 121, Ex. A-31, R.T. 1147). Moody (A-II. 142, Ex. A-40, R.T. 1157). Carlson (A-II. 138, Ex. A-38, R.T. 1155). Sperry (A-II. 152, Ex. A-51, R.T. 1292). Harding (A-II. 126, Ex. A-34, R.T. 1150).

¹⁸35 U.S.C., Sections 101, 102 (Br. A., *infra* 2).

¹⁹35 U.S.C., Section 103 (Br. A., *infra* 3).

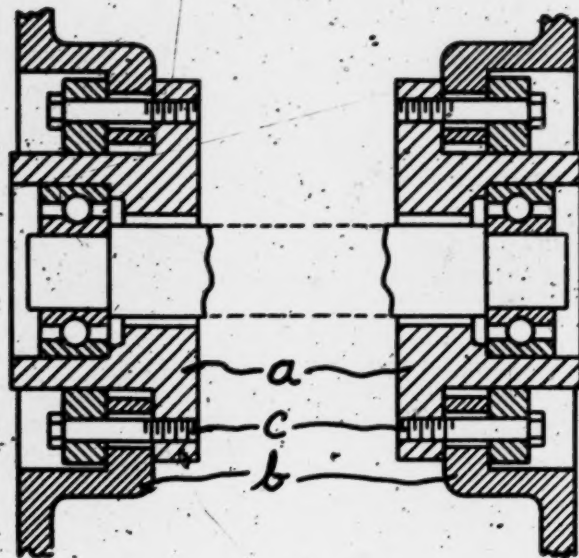
drawings constitute a summary of how the structural elements of Adkins' claims appear in the prior art patents. They show that Adkins' patent was anticipated under 35 U.S.C., Sections 101 and 102, and was obvious under 35 U.S.C., Section 103.

In Figure 4-II the three structural elements of Adkins' main claim are identified by the letters a, b, and c, and limitations on these elements are identified by those letters primed, in the same manner that they are identified in Figure 2, opposite page 52. The same letters are applied to the corresponding elements of the structure shown in the drawing of Adkins' patent, and also to the corresponding elements of the structures shown in the drawings of the prior art patents. In Figure 4-I the elements are shown assembled, and in Figure 4-II they are shown in exploded view, to show the similarities of both the assembled combinations and the individual elements.

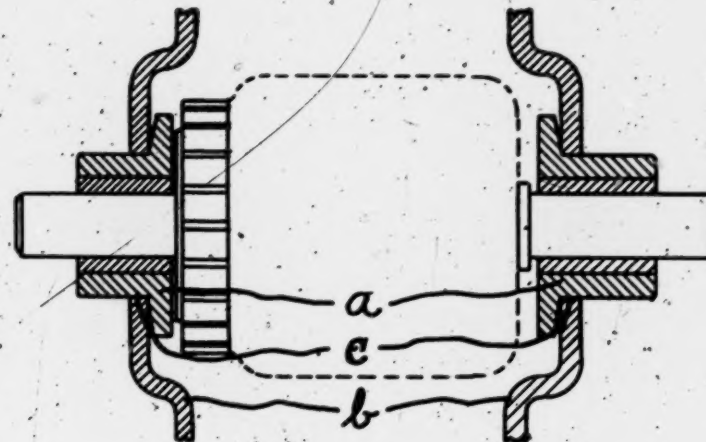
The elements of Adkins' claims must be construed in accordance with what is shown in his patent drawings and also in accordance with the description of these elements in the patent in order to ascertain whether or not the elements and the assembly, as so disclosed, are shown by the prior art patents. Adkins' patent states that the invention is equally applicable to supporting either ball or sleeve bearings (A-II. 23, Ex. 10, col. 8, line 37, R.T. 304); that the bearing-receiving elements and their sockets in the frame may have confronting surfaces of any desired configuration to provide alignment (A-II. 23, Ex. 10, col. 8, lines 27-30, R.T. 304); that to secure the bearing-receiving elements in place either mechanical means or cement may be employed, and that solder, cement, weld, screws, etc. are

ASSEMBLED APPARATUS FOR SUPPORTING BEARING
PATENT AND PRIOR ART PATENT

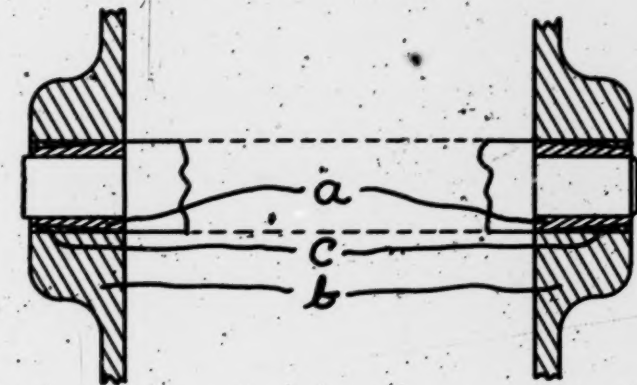
SCHWAN PATENT 2704693
(EXHIBITS A-31 & A-32)



MOODY PATENT 2530533
(EXHIBITS A-39 & A-40)



GRENAT PATENT 2531334
(EXHIBITS A-27 & A-28)



EXPLODED VIEW OF ELEMENTS OF APPARATUS FOR SUPPORTING BEARING

ADKINS' PATENT 2919586

MAIN CLAIM

CLAIM 9

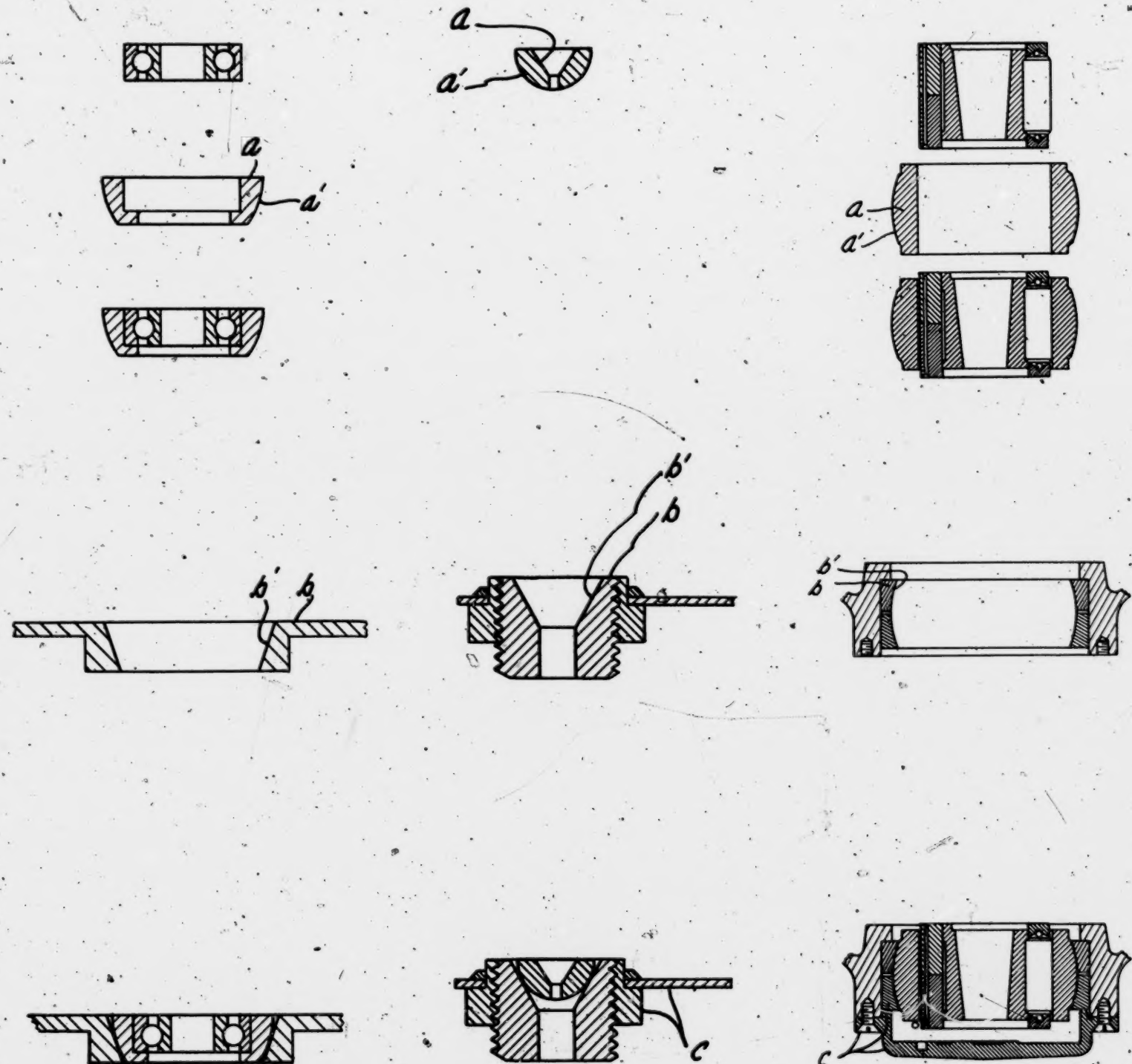
An apparatus for supporting bearings in aligned relationship which comprises.

- a. a pair of bearing-receiving elements each providing means to removably support a bearing in a fixed relationship with said element,
- a' each of said bearing-receiving elements having a mounting surface by which it may be supported,
- b. means for supporting said bearing-receiving elements at opposed relatively spaced positions,
- b' said supporting means providing supporting surfaces generally corresponding to said mounting surfaces and permitting said elements to be initially adjustably shifted relative to said supporting means into oriented positions where said bearing-supporting means are in alignment with each other,
- c.* and means to retain said bearing-receiving elements in said oriented positions to permit pairs of bearings to be interchangeably mounted in aligned relationship supported by said bearing supporting means.

ADKINS' PATENT 2919586

HERR PATENT 2633544

SPERRY PATENT 1342397



*Not shown on Adkins patent drawing, but described as solder, cement, weld, screws, etc. (Col. 7, lines 48 & 49 of Ex. 10) or generally as securing in place either mechanical or by cementing (Col. 2, lines 56 & 57 of Ex. 10).

Figure 4-II

APPARATUS FOR SUPPORTING BEARINGS OF ADKINS' PATENT AND PRIOR ART PATENTS

SPERRY PATENT 1342397

GRENAT PATENT 2531334

MOODY PATENT 2530533

SCHWAN PATENT 2704693

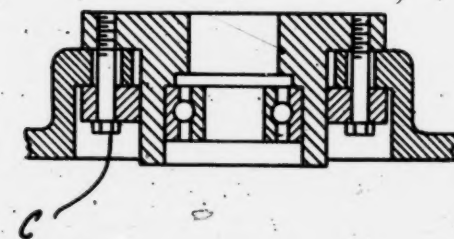
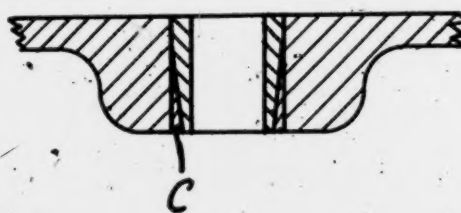
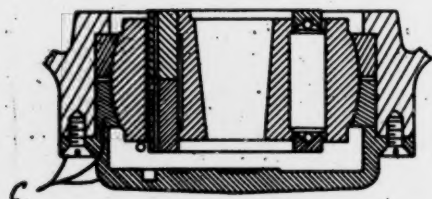
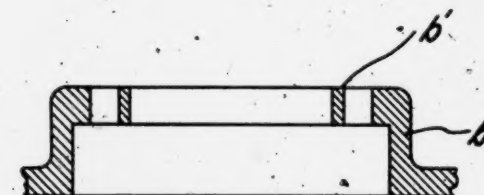
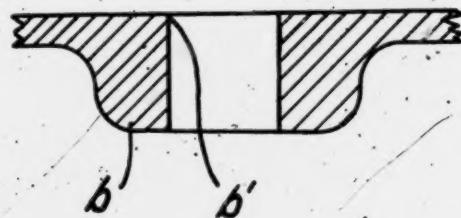
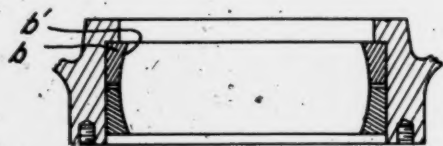
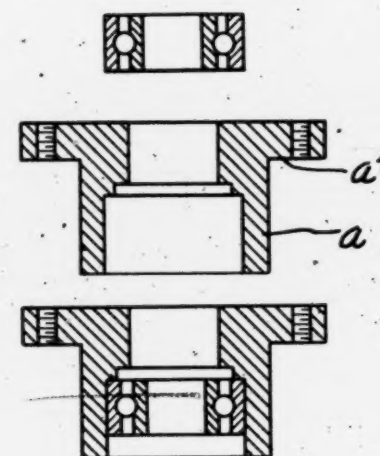
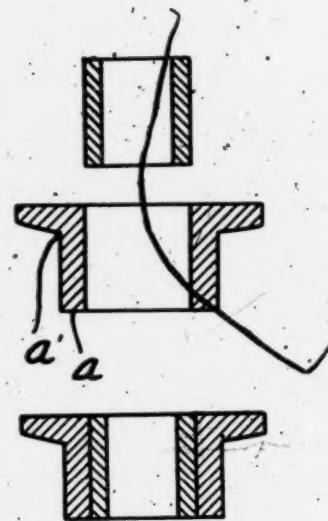
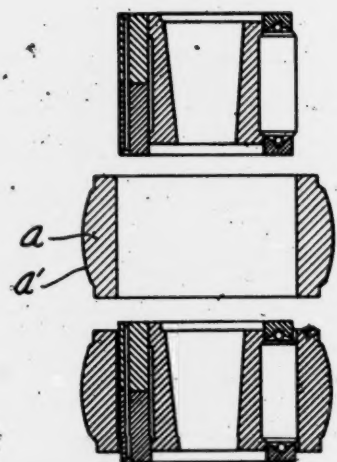


Figure 4-II



all suitable (A-II. 20, 23, Ex. 10, col. 2, lines 56-67, col. 7, lines 48-49, R.T. 304); and that the invention is applicable to the alignment of bearings for any rotatable device, such as motor shafts (A-II. 23, Ex. 10, col. 8, lines 32-33, R.T. 304).

The elements a, b, and c of Adkins' structure for supporting bearings, as so described and shown, are found individually and in combination in most of the prior art patents in the record. The most pertinent prior art is shown in the patents to Herr, concerning an electric motor; Sperry, concerning gyroscopes; Grenat, concerning bearing alignment; Moody, concerning electric motors; and Schwan, concerning bearing supports for electric motors. Only Grenat and Schwan have claims directed to bearing supports. However, the other patents constitute prior art for everything shown even though the bearing supports were not claimed as inventions.

The patent to Herr shows a sphere-in-a-cone structure, which is very similar to Adkins' structure. Herr differs from Adkins in that the cone-shaped bearing surfaces (which are similar to sleeve bearings) are integral with the bearing-receiving elements *a* so that the bearings are replaceable²⁰ only by replacing the entire elements *a*, and in that these elements are not permanently affixed to the frame but rather are loosely clamped by the nut *c* and the spring arm supporting the nut.

The patent to Sperry shows a sphere-in-a-sphere structure, similar to that described by Adkins. Sperry differs from Adkins only in that the patent does not

²⁰Replaceable bearings were not mentioned in Adkins' application until the amendment of December 19, 1958, as will be discussed in Section IV A (1), *infra*.

state whether or not the retaining means *c* is tightened sufficiently to affix the bearing-receiving elements *a* to the frame *b*. If it is so tightened, Adkins' claim reads directly upon Sperry.

The patent to Grenat shows tapered sleeve bearing elements *a* which are placed on a mandrel or rod and inserted into holes in the frame to achieve alignment by rocking on the shoulders *a'*. Grenat differs from Adkins in that the bearing surfaces are integral with the bearing-receiving elements, so that the bearings are replaceable only by replacing the entire elements *a*. If the elements *a* were divided into two portions or sleeves, or if sleeve bearings were placed inside the elements *a*, Adkins' claim would read directly upon Grenat.

The patent to Moody shows bearing-receiving elements *a* which extend through opposed holes in the frame that provide a press-fit. The bearing-receiving elements *a* are assembled on the shaft and then adjusted in the press-fit holes by tapping the assembled apparatus to cause the bearing-receiving elements *a* to move into more nearly perfect alignment. Adkins' claim reads directly upon Moody.

The patent to Schwan shows bearing-receiving elements *a* which extend through oversize holes in the frame *b*, so that they may be adjusted by shifting to achieve alignment with one another. The bearing-receiving elements *a* are retained in position by screws *c*, which also extend through oversize holes in the frame *b* to permit initial adjustment. Schwan differs from Adkins only in that Schwan's bearing-receiving elements

are positioned by shifting the bearing-receiving elements *a* along the frame *b* to position the bearing-receiving elements *a* in the oversize holes in the frame *b* to achieve alignment, whereas Adkins' bearing-receiving elements are aligned by the angular adjustment provided by the ball-and-socket action.

The structure shown by Schwan is almost identical with that of Lear's Michigan steel gyros, as illustrated in Figure 3, on page 54. The Michigan steel gyros use cement to secure the bearing-receiving elements in place whereas Schwan uses screws. However, these are similarly treated by Adkins. In both the Schwan apparatus and the Michigan steel gyros, the bearing-receiving elements are located in oversize holes and they are affixed to the frame after alignment. Angular adjustment by the ball-and-socket action employed by Adkins is not possible in either Schwan or in Lear's Michigan steel gyros. However, if the language of Adkins' claim which requires adjustment of the bearing-receiving elements into "oriented positions" is construed to read on the Michigan steel gyros, then it also reads directly on Schwan.

If Adkins' claims are narrowly construed to cover essentially what is shown and described in the patent, *i.e.*, cooperating surfaces of specific configurations that permit orientation or angular movement in any direction when the surfaces are engaging, such as is provided by Adkin's preferred embodiment which is a sphere-in-a-cone, then the claimed invention is antici-

pated, under 35 U.S.C., Sections 101 and 102, by Sperry, Grenat and Moody.

If Adkins' claims are broadly construed to cover bearing-mounting apparatus employing supporting surfaces of "any desired configuration" (A-II. 23, Ex. 10, col. 8, lines 27-30, R.T. 304), such as the essentially flat surfaces of the Michigan steel gyros, as the California Supreme Court held (A-I. 196), the claims also read directly upon Schwan.

Moreover, Adkins' claims define a structure that differs only in minor detail from that of Herr.

Since all of the claimed elements a, b and c are shown by the prior art and since they cooperate to achieve alignment in the manner which would be expected in view of the prior art, Adkins' claimed invention would, within the meaning of 35 U.S.C., Section 103, be obvious to one skilled in the art.

When the scope and content of the prior art are determined, and the differences between the prior art and Adkins' claims are ascertained, as required by *Graham v. John Deere Co.* (1966), *supra*, it is clear that no differences of substance exist. They do not advance science and the useful arts, as required by the Constitutional standard.

The inevitable conclusion is that Adkins' claimed invention had been anticipated by prior art and was obvious in view of the prior art, and, as a matter of law, that the claims of Adkins' application were unpatentable and that his patent is invalid.

IV.

THE DECISION OF THE CALIFORNIA SUPREME COURT PERVERTS THE REQUISITE UNIFORMITY OF FEDERAL PATENT LAW BY REFUSING TO APPLY BASIC CRITERIA OF THAT LAW APPLICABLE IN THE ENFORCEMENT OF PATENT RIGHTS.

This Court can and should, we submit, determine that, for the reasons set forth in Section I of the Argument, the license agreement and the patent were completely unenforceable, and that in any event, for the reasons set forth in Sections II and III, the validity of Adkins' patent was properly subject to challenge, and was successfully challenged, by Lear. Either or both of such determinations will finally dispose of this litigation and will fender unnecessary any consideration of the issues, to be discussed below in this Section IV, which are raised by Question Four of the Questions Presented.

The issues raised by Question Four relate to the need for application by a state court of proper basic criteria of federal patent law in the enforcement of a patent license agreement in order to have national uniformity in the federal patent law, and stem from the manner in which the California Supreme Court enforced the license agreement. That court was of the opinion that it need consider only rights emanating from the license agreement and that accordingly it need not be concerned with improprieties in the procurement of the patent, even though such improprieties would be defenses in an action for infringement (A-I. 209-210). Furthermore,

although purporting to do so, that court failed in a number of essential areas to apply basic criteria of federal patent law in determining both the scope of Adkins' patent and the further issue as to whether the claims of the patent were infringed by Lear's Michigan steel gyros.²¹

A. The California Supreme Court Erred in Refusing to Consider Any Evidence as to Improproprieties in the Procurement of the Patent.

In the courts below Lear urged that certain specified improprieties in the proceedings before the Patent Office had rendered Adkins' patent unenforceable, under 35 U.S.C., Sections 102 and 132 (Br. A, *infra* 2, 4). The California Supreme Court and the Superior Court, however, erroneously refused to consider any challenge by Lear of any improprieties in those proceedings. The California Supreme Court took the view that, regardless of any such improprieties, the license agreement obligated Lear to pay royalties on products incorporating the claimed inventions of any patent which might issue under Adkins' application, regardless of how it was processed through the Patent Office (A-I. 182, 184, 209-210).

This Court, we recognize, may be reluctant to make such examination of the record as might be required in order to determine with finality the full extent of the improprieties which in fact took place. However, we do deem it proper to submit to the Court

²¹The California Model 2156 gyro is not involved in the question of infringement because, if the patent is valid and enforceable and the agreement is enforceable, Lear, for reasons stated below, concedes infringement of the claims of the patent by that model.

for review the nature of the improprieties to which the court below erroneously refused to give any consideration whatsoever, in order to make clear the prejudicial nature of the court's error.

The principal improprieties asserted by Lear and ignored by the courts below were:

- (1) The addition, by amendment, of "new matter" to the description of the apparatus contained in the original specification of the patent application;
- (2) The reliance by Adkins upon such "new matter" in obtaining the allowance by the Patent Office of the subsequently-added claims of the application;
- (3) The addition by Adkins of such "new matter", despite his knowledge that products incorporating the described invention had been previously sold for more than one year; and
- (4) The conscious concealment by Adkins, under oath, in filings in the Patent Office, of the fact that amendments to the application included "new matter".

The court's refusal to consider these improprieties is apparent from the record (A-I. 182, 184).

- (1) As to the Addition, by Amendment, of "New Matter".

The total description of the bearing-supporting apparatus that was in the original specification of Adkins' application, as filed on February 15, 1954, is set forth both in Figure 2, opposite page 52, and in the non-italicized text of Figure 5, which is opposite page 64.

The matter that was added by Adkins' amendment dated December 19, 1958 (A-II. 90-92, Ex. P, 58-60, R.T. 1328) is set forth in italics in Figure 5. Numeral references in Figure 5 show the column and line at which the related text appears in the printed patent (A-II. 18-25, Ex. 10, R.T. 304).

It is evident from Figure 5 that, of the description of the invention which appears in the printed patent, approximately one-third was added by amendment in 1958, and that the tenor of the invention was substantially changed by this addition.

As shown in the description contained in the original specification of the application, during initial adjustments a jig or cylindrical rod was to be used temporarily to support the bearings during their alignment, and the bearings were to be slid on the jig prior to mounting in their supports.²² Hence the tenor of the invention was directed to a *method* of aligning the *bearings themselves*.

The change in tenor of the invention, as shown by the italicized text in Figure 5 (col. 7, line 67 to col. 8, line 19), consisted of the following: (a) the nature of the invention was changed from method to method and apparatus ("means"); (b) the alignment of the bearings, together with the inserts (or "bearing-receiving" elements), was changed to the alignment merely of the inserts; and (c) the bearings which were aligned were changed from bearings having no replaceability or inter-

²²The original description stated that "during the initial adjustments a jig supports the bearings" (Figure 5, column 7, lines 38, 39); that "It is thus possible to align precisely the two bearings by means of a jig" (Figure 5, column 7, lines 45, 46); and that "The jig . . . takes the shape of a cylindrical rod upon which the bearings are slid preparatory to mounting in the supports" (Figure 5, column 7, lines 54-57).

2,919,586

GYROSCOPE

John S. Adkins, Santa Monica, Calif.

Application February 15, 1954, Serial No. 410,237

10

16 Claims. (Cl. 74-5.44)

- 15 This invention relates to gyroscopes and more particularly to balanced vertical flight gyroscopes or gyro vertical for use in aircraft and the like. The invention is especially addressed to a novel erecting mechanism well adapted to vertical gyroscopes, and to a novel caging system and method of assembling, applicable to gyroscopes in general.

2

- 15 A further object of the invention is to provide a novel method of aligning the various bearings in the gimbal mountings, whereby exact coaxial alignment and parallelism between opposed bearings may be achieved.

- The method of insuring exact coaxial alignment and parallel spacing of the various ball bearings employed in the rotor and gimbals includes the steps of providing 50 annular inserts having peripheral spherically shaped surface portions adapted to be seated against inner conical surfaces provided in the gimbal frames. The ball bearing races are in turn secured to these inserts and the respective surfaces positioned relative to each other with the aid of a suitable jig until the desired alignment is 55 realized. The inserts are then secured in place either mechanically or by cementing and the aligning jig removed. The engaging spherical and conical surfaces permit the bearing race axis to be oriented in any direction during the adjusting period whereby coaxial alignment and parallelism of the bearing races may be easily effected. Other surfaces capable of being aligned and fixed in position such as a sphere in sphere, knife edges or other devices may be used without coming outside 60 the scope of this invention, and the method may be used to align the holder for the inner or outer races, or both.

A better understanding of the various features of the present invention will be had by referring to the accompanying drawings in which:

3

Figure 2 is an elevational cross-sectional view of a preferred construction of the gyroscope in which the various gimbal mountings are all co-planar for purposes of illustration;

Referring once

- 25 precise coaxial/ing the gimbal a
ings 59 and 60
mounting 11 in
each other and l
30 gimbal mounting
bearing friction.

- In accordance
faces 62 of the
ing 11 are of a
35 are in turn secu
annular peripher
of a sphere, adap
During the initial
bearings 59 and
40 the conical shape
of the peripheral
bearing may be
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easy to get out of

ata Monica, Calif.

1954, Serial No. 410,237

Cl. 74-5.44)

7

Bearing alignment

gyroscopes and more particu-
larly gyroscopes or gyro verti-
cal like. The invention is es-
pecially erecting mechanism well
known, and to a novel caging
mechanism, applicable to gyroscopes

vention is to provide a novel
method of aligning bearings in the gimbal
mounting and parallel
may be achieved.

exact coaxial alignment and
the ball bearings employed in
the steps of providing
general spherically shaped sur-
faces seated against inner conical
gimbal frames. The ball bear-
ings are secured to these inserts and the re-
lative to each other with
until the desired alignment is
achieved. The bearings are then secured in place either
directly and the aligning jig
is removed and conical surfaces
are to be oriented in any direc-
tion whereby coaxial align-
ment of bearing races may be easily
achieved of being aligned and
whether in sphere, knife edges
or without coming outside
and the method may be used
on inner or outer races, or both.
The various features of the
invention are referred to by referring to the accom-

cross-sectional view of a
gyroscope in which the
bearings are all co-planar for purposes

Referring once again to Figure 2, a feature of the pres-
ent invention contemplates a novel method for insuring
precise coaxial alignment of the various bearings journal-
ing the gimbal and rotor shafts. As an example, the bear-
ings 59 and 60 shown secured to opposite sides of gimbal
mounting 11 in Figure 2, must be coaxial with respect to
each other and lie in parallel planes in order that the inner
gimbal mounting shafts 61 will be supported for minimum
bearing friction.

In accordance with the method, the inner annular sur-
faces 62 of the sockets in the intermediate gimbal mount-
ing 11 are of a conical shape. The bearings 59 and 60
are in turn secured to insert elements 63 each having an
annular peripheral surface 64 of the shape of a portion
of a sphere, adapted to seat against the conical surface 62.
During the initial adjustments, a suitable jig supports the
bearings 59 and 60 and attached inserts 63. Because of
the conical shape of the surface 62 and the spherical shape
of the peripheral surface 64 of the inserts, the axis of each
bearing may be properly oriented by a rotating motion
applied to the race. This latter motion can be easily ac-
commodated by the engaging surfaces in view of their
different curved shapes. It is thus possible to align pre-
cisely the two bearings by means of a jig, at which mo-
ment the inserts 63 are secured to the gimbal mounting
sockets as by cementing, welding, soldering, or by screws,
for example. The aligning jig may then be removed and
the assembly of the gyroscope completed. The same
method may be employed for mounting the rotor 13 on the
shaft S and for aligning the bearings in the outer gimbal
10 journaling the inner gimbal 11.

The jig used in aligning the bearings may be very sim-
ple and in one form takes the shape of a cylindrical rod
upon which the bearings are slid preparatory to mounting
in their supports. The rod is, of course, accurately formed
to be round, without taper, and straight, and held to these
conditions within extremely small tolerances. While such
a jig requires precision work, it is comparatively simple to
secure such a rod and maintain it within the required
tolerances. Previously methods of construction have re-
quired the use of precision boring jigs to bore accurately
aligned and concentric holes to receive the bearings, and
such a jig is both difficult and expensive to fabricate, and
easy to get out of adjustment.

Figure 5

The above described method and means insures that bearings are properly aligned upon being placed in the inserts, and this is so whether they are the original bearings or replacement bearings. After aligning and fixing the inserts 63 to the frame, bearings can readily be removed from and inserted therein, with complete assurance that the bearings are properly positioned when so inserted. All that is required to remove a bearing is to tap it and remove it from the insert; a new bearing is easily and

8

quickly installed by tapping it into the insert. The inserts, being properly aligned, initially, maintain their alignment permanently. This arrangement contrasts sharply with prior art bearing alignment means and procedures, which involve securing the outer portion of the bearing to the frame. To replace bearings in such arrangements, the connection between the bearing and frame is broken so that it can be removed. Since new bearings when positioned are not connected to the frame, the entire alignment procedure must be carried out before they can be secured in place.

Alignment of bearings as heretofore practiced involves considerable care, time and expense, and requires the services of a skilled worker. But with the bearing alignment method and means of my invention, bearings can be replaced in a minimum of time by an unskilled mechanic, and with complete assurance that the bearings, upon being inserted in the inserts 63, are completely and accurately aligned.

While the use of mating conical and spherical surfaces has been mentioned, it is apparent that other similarly cooperating surfaces can be used. For example, a spherical surface can be used within another spherical surface, and other combinations can be employed. Similarly, the inner race of a bearing may be aligned with its holder, or both the inner and outer races may be aligned with their respective holders. Further, not only may the confronting surfaces (of the inserts 63 and the walls of the openings in which they are oriented) be of any desired configuration, my invention also is not limited to the alignment of bearings of a gyroscope. My method and means for bearing alignment is applicable for insuring alignment of bearings for any rotatable device, e.g., motor shafts, etc. Further, the invention is not restricted as to the type of bearing employed; for example, it is readily suited to insure proper automatic alignment of either ball bearings or sleeve bearings.

ADDED BY
AMENDMENT
DATED
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AMENDMENT
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12/19/58



changeability to bearings which were replaceable or interchangeable. The amendment of December 19, 1958 also broadened the description of the elements and their interrelationship. The original description of the elements (Figure 5, col. 2, lines 47-62 and col. 7, lines 32-45), consisting of "engaging or mating surfaces having a particular configuration, such as spherical and conical surfaces" (i.e., the ball-and-socket arrangement of Figure 1, at p. 52), was changed by amendment to confronting surfaces of "any desired configuration" (Figure 5, col. 8, lines 29-30). In addition, the amendment broadened the field of usefulness of the apparatus, so that it was no longer limited to supporting bearings for gyros but encompassed any type of bearing for "any rotatable device" (Figure 5, col. 8, lines 33-37).

The amendment dated December 19, 1958 not merely changed the tenor of the invention by the insertion of "new matter" but also modified the original claims of the application. None of the claims contained in the application prior to December 19, 1958 had included any reference to alignment of the inserts (or bearing-receiving elements), to the replaceability or interchangeability of the bearings, or to the interchangeable mounting of the bearings. As a result of the amendment the claims of the application, instead of calling for the bearings being in place during alignment, for the first time called for them as being inserted after alignment, and also described the supporting surfaces broadly, so that they might be of "any desired configuration".²³ Such changes clearly constituted a

²³This amendment included the cancellation of claims 18 and 19 and the replacement of them by two new method claims numbered 27 and 28 and by a further amendment of subsequently cancelled original claim 9 (A-II. 92-93, Ex. P, 61, R.T. 1328).

change in the claimed invention and represented the addition of "new matter", contrary to the requirements of 35 U.S.C., Sections 102 and 132 (Br. A., *infra* 2, 4).

(2) Improper Reliance Upon "New Matter".

In the amendment of the application in December, 1958, Adkins attempted to distinguish the prior art relied on by the Patent Office in rejecting the claims of the application by stating that the new method claims 27 and 28, and claim 9, as amended, set forth a bearing-receiving member initially aligned or properly positioned, so that the bearings would be automatically aligned or positioned when later received thereby (A-II. 94, Ex. P, 62, R.T. 1328). In thus seeking to distinguish the references to prior art cited by the Patent Office, Adkins relied on the "new matter" which, as stated above, had been added to the description and claims of the application.

Thereafter the existing claims were cancelled and claims 29 through 41 were added by subsequent amendment. These new claims gave increased emphasis to the alignment of the inserts or bearing-receiving elements and to the replaceable bearing feature, and also to mounting and supporting surfaces of any configuration. Of these claims, claims 29 through 36 in the application became claims 9 through 16 in the patent, and they deal exclusively with the newly-contrived alignment of the bearing-receiving elements to permit replacement of the bearings.

(3) As to the Addition of "New Matter", Despite Knowledge of Its Prior Use for More Than One Year.

At the time of the amendment in December, 1958, which added the new matter described above, Lear, with the knowledge of Adkins and his counsel, had since 1955 been selling its Michigan steel gyros which included the feature of replaceable bearings or interchangeably mounted bearings. This feature had thus been in use much more than one year before it was first asserted in Adkins' patent application. Accordingly, under the one-year limitation of 35 U.S.C., Section 102, Adkins was barred and is today barred from claiming such a feature as his invention. *Muncie Gear Works, Inc. v. Outboard Marine & Mfg. Co., Inc.* (1942), 315 U.S. 759.

(4) Concealment of Fact That "New Matter" Was Added by Amendment.

At the time of the amendment of the application in December, 1958, Adkins' counsel asserted that the material added by the amendment did not constitute "new matter" (A-II. 94-95, Ex. P, 62, 63, R.T. 1328). Subsequently in two sworn statements filed with the Patent Office, Adkins falsely asserted that the subject matter of the amendment was part of his original invention as disclosed in the application when it was filed in February, 1954 (A-II. 103-105, 109-115, Ex. P, 71-73, 77-83, R.T. 1328). This submission of false oaths was in violation of 35 U.S.C., Section 115 (Br. A., *infra* 3).

The various actions of Adkins, described above in this Section IV, which the court below deemed not to be relevant, were in violation of the requirements of the patent laws and constituted serious improprieties in the proceedings before the Patent Office. They were clearly of such a nature as to make unenforceable the patent

which issued to Adkins, regardless of its validity. 35 U.S.C., Sections 102, 115 (Br. A., *infra* 2, 3); *Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company* (1945), 324 U.S. 806. The refusal of the court below to consider the significance of such improprieties as defenses against the enforcement of Adkins' patent on the ground that such improprieties were irrelevant, constituted error, prejudicial to Lear.

By ignoring such improprieties on the ground that it was concerned only with the license agreement, the California Supreme Court has enforced a patent under an agreement despite the fact that the patent would be unenforceable in any other action, since those improprieties are defenses that are set forth in 35 U.S.C. Section 282 (Br. A., *infra* 5). Thus, a state court has enlarged patent rights beyond the limits of federal patent law. Any such enlargement cannot stand. *Sears, Roebuck & Co. v. Stiffel Co.* (1964), *supra*.

B. The California Supreme Court Erred in Refusing to Apply Basic Criteria of Federal Patent Law in Determining the Scope of the Claimed Invention and in Determining That the Invention Covered the Michigan Steel Gyros.

After determining that the license agreement had not been terminated and holding that Lear was estopped to challenge the validity of Adkins' patent, the California Supreme Court sought to determine whether the apparatus for supporting bearings in the Michigan steel gyros "infringes" the apparatus described in Adkins' patent (A-I. 194). It considered the question of infringement because of the fact that the agreement provides that royalties will be paid with respect to products manufactured and sold by Lear that incor-

porate patentable or patented inventions of Adkins.²⁴ (A-II. 5, 3, Ex. 8, §§3(a) and 1(d), R.T. 296). Although Lear did not raise this issue with respect to its California Model 2156 gyro, it strongly urged the court below to affirm the prior holding of the Superior Court to the effect that the apparatus for supporting bearings of Lear's Michigan steel gyros did not infringe any of the claims of Adkins' patent.

As this Court held in *Coupe v. Royer* (1895), 155 U.S. 565, any resolution of the question of infringement involves a two-step process. The first step is to determine the scope of the invention as a matter of law, and the second is to ascertain whether the alleged infringing device falls within the scope of the invention as so determined.

(1) **Determination of Scope of the Claimed Invention.**

In seeking, in accordance with this rule of the *Coupe* case to determine the scope of the claimed invention as a basis for ascertaining whether there was "infringement" by Lear's Michigan steel gyros, the court below, although purporting to consider the criteria of federal patent law, in fact ignored four such basic criteria.

(a) *The Court Below Went Beyond the Claims of the Application, When Read in the Light of the Specification.*

The California Supreme Court first defined Adkins' invention as a pair of bearing cups mounted in oppositely placed receiving holes by use of a mandrel (A-I. 172), and later the court used the same definition, with

²⁴Of the products that Adkins asserts incorporate a patentable or patented invention, the California Model 2156 gyro admittedly is covered by the claims of Adkins' patent, since the apparatus for supporting bearings in that gyro has spherical and conical surfaces that cooperate, when engaged, to permit angular motion.

the added feature that the bearing cups are cemented into place (A-I. 193). The court erroneously assumed that the test of infringement was whether the Michigan steel gyros infringe the "apparatus described in" Adkins' patent (A-I. 194), instead of whether they infringe the claims of the patent.

Although Adkins' patent describes a method employing a mandrel or jig, the claims do not call out such features. Adkins tried to claim these features but these claims were denied (A-II. 56, 71, 93, 99-100, Ex. P, claims 7, 8, 18, 19, 27, 28, 39-41, R.T. 1328). Additionally, there is no mention in the claims or in the specification of the "receiving holes" which were employed by the court below in defining Adkins' invention.

The court below in fact did not merely fail to use the claims as the definition of Adkins' invention, but also ignored the criterion that the scope of every patent, in the first instance, is defined by the invention described in the claims contained in it, read in the light of the specification. *Motion Picture Patents Company v. Universal Film Manufacturing Company* (1917), 243 U.S. 502, 510.

As pointed out in Section III of the Argument, the main claim (claim 9) of Adkins' patent is set forth in Figure 2, opposite page 52, with the relevant portion of the original specification and the relevant figure from Adkins' patent and a schematic of the apparatus for supporting bearings based on such figure. The material added later by amendment, which is italicized in Figure 5, opposite page 64, is not included in Figure 2.

Adkins' main claim calls for "an apparatus for supporting bearings", which apparatus has three pairs of elements, viz., a pair of bearing-receiving elements (ele-

ment *a* of claim 9 in Figure 2), means for supporting said bearing-receiving elements (element *b* of claim 9 in Figure 2), and means for retaining the bearing-receiving elements in position (element *c* of claim 9 in Figure 2).

According to the claim, the bearing-receiving element (also referred to as "inserts" or bearing cups) must have a mounting surface by which it may be supported, and the supporting means must have a supporting surface cooperating with the mounting surface such that the bearing-receiving elements may be initially shifted relative to the supporting means into oriented positions.

It is seen from the portion of Adkins' original specification that relates to bearing alignment (Figure 2 of this brief) that Adkins' preferred embodiment has inserts with an outer "spherical" surface "adapted to be seated against", "engaging" or "mating" a "conical" surface provided in the gimbal or frame of the device. Thus, the description in the original specification in Adkins' patent does not provide for permissive cooperation between the surfaces, but rather a required cooperation between engaging surfaces which are in contact and have a particular configuration. The cooperation between the spherical surface and the conical surface, when engaged, is obviously a ball-and-socket²⁵ type of cooperation, which has the characteristic of universal action or angular tilt or orientation in any direction. This is shown on Figure 6, opposite page 72, which is the diagram employed by the Superior Court in explaining the operation of Adkins' claimed invention

²⁵In the patent, the term "sockets" is applied to the area of the supporting means having the supporting surface (A-II. 23, col. 7, lines 33 and 48 of Ex. 10, R.T. 304).

in its Rulings on Lear's Motion for Judgment Notwithstanding the Verdict (A-I. 76).

The court stated in its Rulings that:

"The asserted novelty of plaintiff's invention is the coacting relationship of a pair of surfaces, such as a ball, or a section thereof, nesting in a cone, or a combination of surfaces comprising segments of two spheres. In such a device the inner element is capable of angular movement only.

"Thus, in sketch 'A' [Figure 6 of this brief], it is obvious that the only motion of the shaft A-B is the angular motion shown by a dotted line, such as C-D. No radial motion or adjustment is possible without separating the parts. To lift the ball upward in the cone so that sidewise or radial motion is possible would strip plaintiff's invention of its assigned functions and instead of practicing his invention, plaintiff would be ignoring it. To separate the parts in practice is to admit their inutility." (A-I. 76).

This construction by the Superior Court is the only proper construction of the scope of Adkins' patent that is possible when applying the criterion that, in determining the scope of an invention, the claims must be read, in the first instance, in light of the specification. If the court below had thus construed the claims of Adkins' patent, it could not have found that the claimed invention covered the Michigan steel gyros.

(b) The Court Below Improperly Ignored the File History of the Application.

The California Supreme Court refused to consider the history of the prosecution of Adkins' application for patent in the Patent Office, on the specious ground

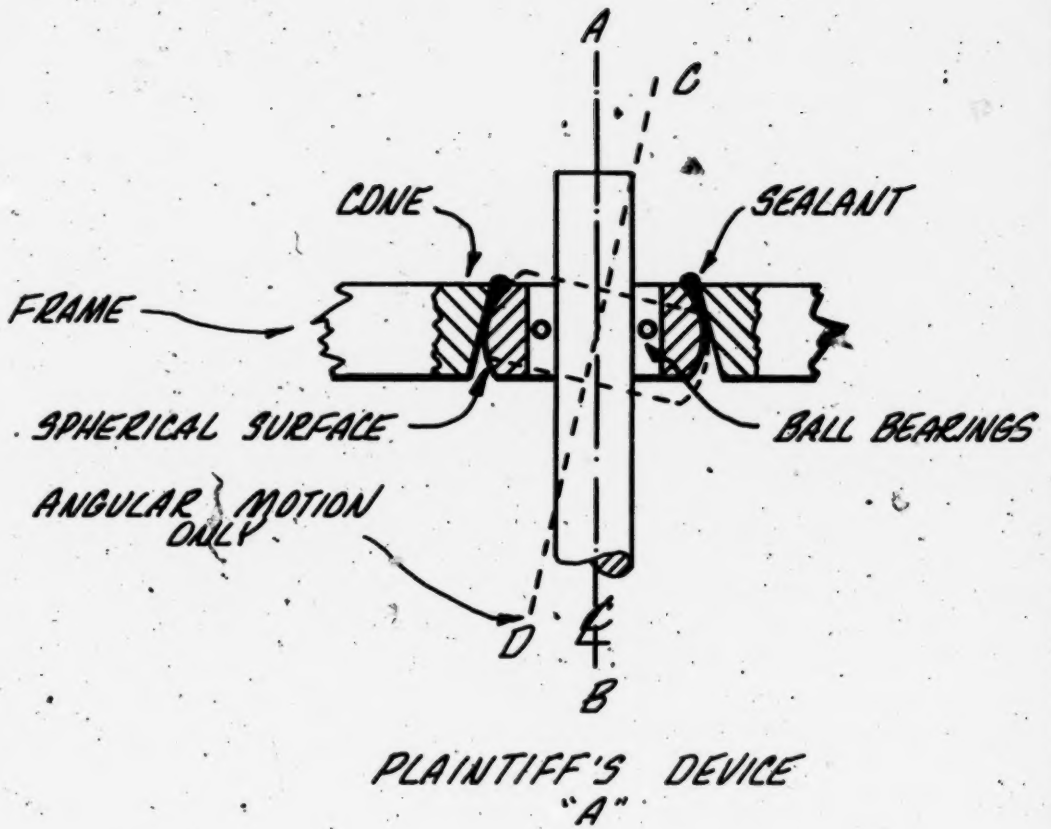


Figure 6

that the claims at issue had not been previously rejected and thus had not been limited by Adkins as the result of a prior rejection (A-I. 196-197). The court thus ignored the criteria enunciated by this Court in *Schriber-Schroth Co. v. Cleveland Trust Co.* (1940), 311 U.S. 211, 218, 221, as follows:

"Where the patentee in the course of his application in the patent office has, by amendment cancelled or surrendered claims, those which are allowed are to be read in the light of those abandoned and an abandoned claim cannot be revived and restored to the patent by reading it by construction into the claims which are allowed. . . .

"The patentee may not, by resort to the doctrine of equivalents, give to an allowed claim a scope which it might have had without the amendments, the cancellation of which amounts to a disclaimer."

Adkins' application had been pending for more than five years when the claims which appear in the patent were inserted in the application by amendment. Nineteen other claims directed to bearing alignment had previously been urged by Adkins. All nineteen had been rejected by the Patent Office in view of prior art, and had been cancelled and abandoned by Adkins in view of the rejection by the Patent Office. These had included numerous claims directed to the method of assembly (A-II. 56, 71, 93, 99-100, Ex. P, claims 7, 8, 18, 19, 27, 28, 39-41, R.T. 1328). The method of assembly employing a mandrel ("jig" or "rod"), which is described in the specification of Adkins' patent and which Adkins attempted to claim as part of his invention, was placed in the public domain when Adkins' patent issued

without claims directed to such method. *McClain v. Ortmyer* (1891), 141 U.S. 419. Nevertheless, the court below erroneously ruled that the scope of Adkin's invention included the use of a mandrel for alignment, and therefore necessarily included a procedure or method of assembly. The court stated:

"... The device of cemented-in bearing cups using a mandrel procedure constitutes the essence of Adkins' invention, as described in his application."
(A-I. 191).

If the California Supreme Court had considered the file history, it could not have concluded that "using a mandrel procedure" constitutes the essence of Adkins' invention.

Similarly, throughout its opinion the California Supreme Court refers to "receiving holes" as being part of Adkins' invention (A-I. 172, 173, 193, 194, 195, 196, 197). Adkins' application, as shown in Figure 2, opposite page 52, contains no such definition. Furthermore, claims of sufficient scope to include "receiving holes" were denied Adkins, by reason of the rejection and cancellation of claims 22 through 27 and the limitation of specific surfaces that cooperate, which appears in the broadest claim (claim 9) that Adkins was allowed (A-II. 81-85, 96, Ex. P, 49-53, 64, R.T. 1328). By thus ignoring the file history of Adkins' application, the court below again failed to apply basic federal criteria in determining the scope of the claimed invention. Only by so doing was the court able to find that the claimed invention covered the Michigan steel gyros.

(c) *The Court Below Improperly Relied on "New Matter" Added to the Specification.*

The California Supreme Court, in determining the scope of Adkins' claimed invention, relied upon language inserted in the specification by the amendment dated December 19, 1958 which was filed on December 22, 1958 (A-II. 90-92, Ex. P, 58-60, R.T. 1328), three years after the first sale of the Michigan steel gyros in 1955 (Ex. 35, R.T. 503), and almost five years after the filing of the application. The court construed the license agreement to cover any patent which issued; and since a patent did issue, the court was of the opinion that it need not consider whether or not "new matter" was added by the 1958 amendment (A-I. 184-185). Thus, the court found that the patented apparatus fell within the scope of the initial application, without ascertaining what was added to the description by amendment and without considering the file history (A-I. 197).

It was pointed out in Part A of this Section that the addition of "new matter" by the amendment to the application dated December 19, 1958, constituted a basic irregularity, which should have been held to render Adkins' patent unenforceable. However, the court below not only ignored the fact that the impropriety involved in the addition of "new matter" constituted a defense to Lear, but, on the contrary, in contravention of the purposes and provisions of the patent law, relied on that very "new matter" in broadening the scope of the claimed invention.

The addition of "new matter," the reliance upon such added material by the state court in determining the scope of the invention, and the changing of the scope of

the claimed invention by amendment are in direct derogation of the federal patent laws. 35 U.S.C., Section 132 (Br. A., *infra* 4); *Muncie Gear Works, Inc. v. Outboard Marine & Mfg. Co., Inc.* (1942), *supra*.

(d) *The Court Below Erroneously Employed a New Principle of Construction of a Patent, Which Is That the Scope of the Invention Encompasses All Similar Apparatus for Achieving the Same Results Unless Such Apparatus Is Expressly Excluded by Specific Language.*

The California Supreme Court stated: "It is obvious that the literal language of claim 9 and the specifications . . . intend to cover within the scope of the invention receiving holes and bearing cups having mating surfaces of any configuration . . . unless expressly excluded by other specific language" (A-I. 196). This is a new principle of construction which has not received judicial recognition heretofore, and it runs counter to the criterion that specifications can be used to limit but never to expand claims, *McClain v. Ortmyer* (1891), 141 U.S. 419, 424.

This new principle of construction also runs counter to the basic principle that the invention of a patent cannot cover prior art. *Graham v. John Deere Co.*, (1966), *supra*.

Furthermore, this new principle is directly contrary to the doctrine of equivalents, purportedly relied upon by the court below. As shown under Section III of the Argument, if the flat supporting surfaces of the Michigan steel gyros (Figure 3, on page 54) are determined to be the equivalents of the ball-and-socket supporting surfaces of Adkins' patent (Figure 2, op-

posite page 52), the patent encompasses prior art, shown by the flat supporting surfaces of the Schwan patent (A-II. 121, Ex. A-31, R.T. 1147). Hence, prior art precluded any application of the doctrine of equivalents whereby the Michigan steel gyros would be brought within the scope of Adkins' patent.

Furthermore, if the "new matter" improperly added to the description of the specification is ignored, the doctrine of equivalents calls for a restriction of the claims of Adkins' patent to the device disclosed by the original specification and equivalents thereof. *Graver Tank & Manufacturing Company, Inc. v. Linde Air Products* (1950), 339 U.S. 605. When so applied, that doctrine restricts Adkins' claimed invention to apparatus for supporting bearings which has surfaces that are not flat, where one of the surfaces is adapted to seat against the other so that they are engaging or mating, thus permitting alignment by angular tilt only. The flat surfaces of the supporting bearings of the Michigan steel gyros could not possibly meet this compelling restriction of the doctrine of equivalents.

Thus, although the court below gave lip-service to the doctrine of equivalents, it in fact so distorted the application of the doctrine as to improperly broaden the scope of Adkins' claimed invention, to the prejudice of the petitioner and in clear contravention of established criteria employed in patent enforcement.

(2) Determination of Whether the Claimed Invention, When Properly Construed, Covers Lear's Michigan Steel Gyros.

The California Supreme Court construed Adkins' patent to cover "a pair of bearing cups which are positioned with use of a mandrel into oppositely placed re-

ceiving holes in a frame or gimbal, and cemented into place" (A-I. 193). However, as discussed at pages 72-74 above, this construction relies upon the use of a mandrel, which is in the public domain and which is not set forth in any claim of the patent.

The remaining part of the invention, in accordance with the construction by the court below, is a pair of bearing cups located in oppositely placed receiving holes in a frame and cemented into place. However, these features are shown by almost all of the prior art patents in evidence, such as the Schwan patent (A-II. 121, Ex. A-31, R.T. 1147), when arrangements for securing the bearing cups in place other than cement are taken as equivalents, which they obviously are, since the patent states that other mechanical arrangements are equivalent.

As discussed at pages 69-77 above, the scope of Adkins patent must be ascertained by interpreting the language of the claims in the light of what is actually described in the application, and in the light of the file history. Such construction must not encompass the prior art, because that would render the claims invalid.

Since the California Supreme Court erred by not applying the proper criteria in determining the scope of the claimed invention, the question of coverage of the Michigan steel gyros must be decided anew. The ruling by the Superior Court that the Michigan steel gyros could not be the subject of a valid patent to anyone, and that therefore Adkins "cannot claim them as equivalents under or as infringing his patent", must be reviewed. The question of coverage is a pure question of law, since no dispute exists as to the nature of Lear's Michigan steel gyros and since the apparatus for sup-

porting bearings therein need only be compared with the apparatus for supporting bearings of the claims of Adkins' patent, construed as a matter of law in view of the specification, file history, and prior art.

The same subject as that covered by Adkins' patent, *i.e.*, bearing alignment, was before this Court in the case of *Singer Mfg. Co. v. Cramer* (1904), 192 U.S. 265. There the Court found as a matter of law that there was no infringement and that the lower court should have directed a verdict for the defendant. Similarly, as a matter of law in this case, there is no infringement of the claims of Adkins' patent by Lear's Michigan steel gyros.

The Michigan steel gyros have apparatus for supporting bearings that is illustrated in Figure 3, on page 54. Such apparatus was shown in detail in Lear drawing SH1040 (Ex. O, R.T. 920), along with a description of the procedure to be followed in carrying out the method of assembly, and is shown in Figure 7, opposite page 80.

In accordance with the method of assembly described in Figure 7, the bearing-receiving elements, *i.e.*, bearing cups (shown in red), are affixed to opposite ends of the alignment fixture (also called mandrel, tool, jig or rod) by two screws and two clamping washers, and the bearing cups of necessity assume the alignment of the tool. Once the cups are placed on the mandrel, they are aligned; and no movement relative to the axis of the mandrel is possible or necessary as a matter of simple mechanics.

The gimbal halves are assembled around the alignment fixture so that the aligned bearing cups (shown in red) partially extend through oversize holes in the

gimbal frame. At one end of the gimbal frame (shown in yellow) the flat surface of the flange of the bearing cup engages the flat surface of the gimbal where it is supported. At the other end of the gimbal frame the flat surface of the flange of the bearing cup usually does not engage the adjacent surface of the gimbal because some end play is provided for ease in assembly (See procedure note 9 on Figure 7).

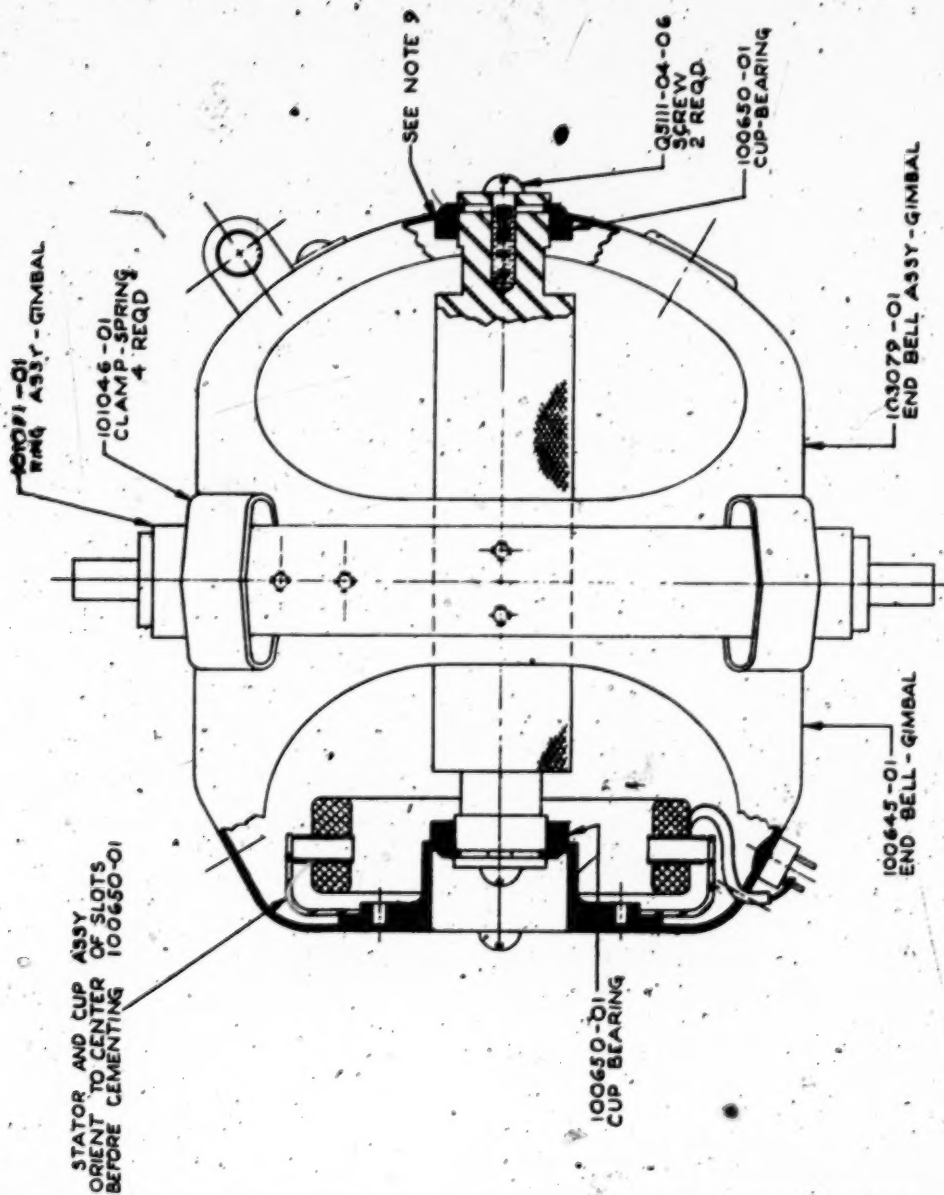
After the apparatus is thus assembled, the cement, used as a holding means, is cured so as to permanently affix the cups to the gimbal. After the cement is cured by baking, the alignment fixture is removed. Bearings may then be placed in the bearing cups and the other components of the gyro are then assembled to make a complete device.

The Superior Court, after applying the basic criteria discussed at pages 69-77 above, found no infringement and also found no equivalents (A-I. 75-82). The scope of Adkins' claimed invention, as determined by the Superior Court during the trial, was such that Lear's Michigan steel gyros could not possibly infringe the claims of Adkins' patent.²⁶ The court instructed the jury that Adkins' patent described and its claims covered bearing supports which provide only angular or universal motion, and that the Michigan steel gyros have bearing supports of a different structure (R. T. 3108). The court also instructed the jury that Adkins' patent did not disclose any use of an oversize hole such

²⁶At the end of the trial during the discussion of jury instructions the trial judge stated "I do not see how as a matter of law, interpretation, logic or mechanics you can see any similarity in the Adkins device (i.e., the patented device) and the Michigan device (i.e., the steel gyros)." (Parenthetical material added.) (R. T. 2596.)

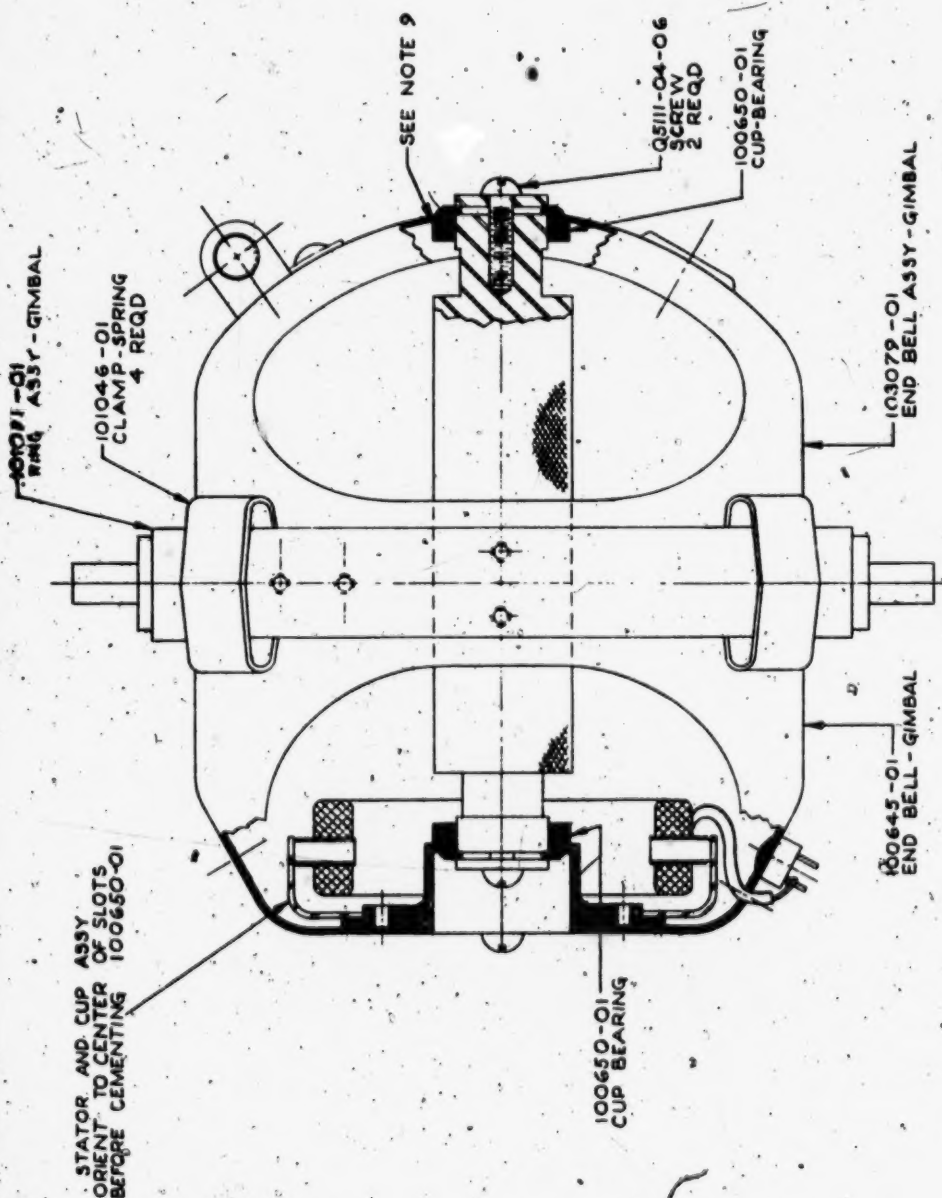
PROCEDURE:

1. ASSEMBLE CUPS (PART NO. 100650-01) ON ALIGNMENT FIXTURE AND CLAMP USING WASHERS SHOWN AND 4-40 SCREWS.
2. ASSEMBLE OUTER AXIS PARTS AROUND THE FIXTURE AND CUPS AS SHOWN.
3. CEMENT CUPS IN PLACE AS SHOWN USING 102079-01 CASTING RESIN.
4. USE CASTING RESIN IN 4 PLACES DESIGNATED "AREA A" AND ADD INDEX MARKS AS SHOWN.
5. BAKE ASSEMBLY 1 HOUR AT 200° F.
6. REMOVE CLAMPING WASHERS AND CHECK FREEDOM OF ALIGNMENT FIXTURE WITH STATOR AND CUP ASSEMBLY AT EXTREME SLOT POSITIONS.
7. DISASSEMBLE AS FOLLOWS:
 - A. SET GIMBAL CLAMPS PER SECTION Z-Z AND REMOVE ALIGNING FIXTURE.
 - B. REPLACE END BELL AND RESET CLAMPS.
8. STOCK THESE ITEMS AS MATCHED AND SERIAL NUMBERED SETS UNTIL USED TO COMPLETE THE OUTER GIMBAL AXIS ASSEMBLY.
9. END PLAY BETWEEN ASSEMBLIES TO BE HELD AT THIS LOCATION DURING CEMENT APPLICATION AND CURING.



PROCEDURE:

1. ASSEMBLE CUPS (PART NO. 100650-01) ON ALIGNMENT FIXTURE AND CLAMP USING WASHERS SHOWN AND 4-40 SCREWS.
2. ASSEMBLE OUTER AXIS PARTS AROUND THE FIXTURE AND CUPS AS SHOWN.
3. CEMENT CUPS IN PLACE AS SHOWN USING 102079-01 CASTING RESIN.
4. USE CASTING RESIN IN 4 PLACES DESIGNATED "AREA A" AND ADD INDEX MARKS AS SHOWN.
5. BAKE ASSEMBLY 1 HOUR AT 200 F.
6. REMOVE CLAMPING WASHERS AND CHECK FREEDOM OF ALIGNMENT FIXTURE WITH STATOR AND CUP ASSEMBLY AT EXTREME SLOT POSITIONS.
7. DISASSEMBLE AS FOLLOWS:
 - A. SET GIMBAL CLAMPS PER SECTION Z-Z AND REMOVE ALIGNING FIXTURE.
 - B. REPLACE END BELL AND RESET CLAMPS.
8. STOCK THESE ITEMS AS MATCHED AND SERIAL NUMBERED SETS UNTIL USED TO COMPLETE THE OUTER GIMBAL AXIS ASSEMBLY:
9. END PLAY BETWEEN ASSEMBLIES TO BE HELD AT THIS LOCATION DURING CEMENT APPLICATION AND CURING.



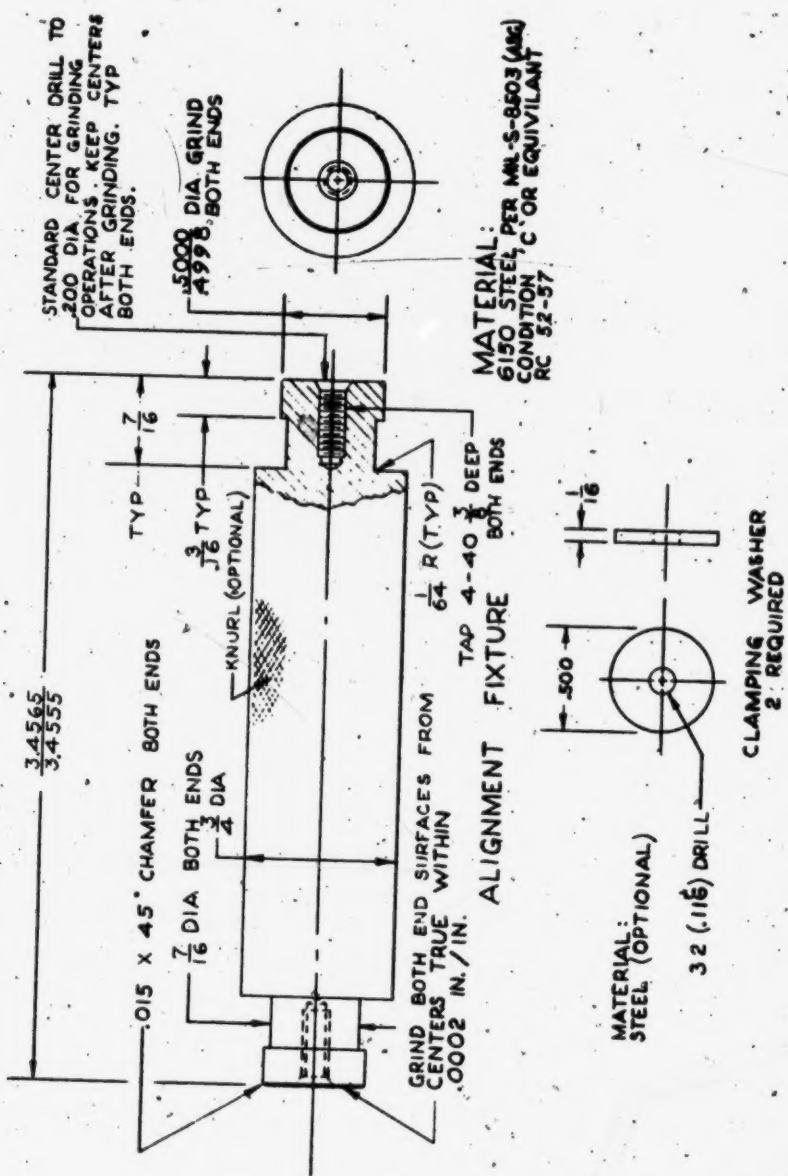


Figure 7



as employed in the Michigan steel gyro bearing mount (R. T. 3162). The court later ruled, as a matter of law, in granting Lear's motion for judgment notwithstanding the verdict, that the Michigan steel gyros did not infringe Adkins' patent (A-I. 82).

In the ball-and-socket arrangement (Figure 1, on page 52) disclosed and claimed by Adkins, alignment of the bearings is achieved by angular or universal motion of the bearings and the bearing cups in their sockets, as recognized by the Superior Court. Although the California Supreme Court also recognized that the alignment of the bearing cups in Adkins' patent is achieved by angular motion, it erroneously stated that this is equally applicable to the Michigan steel gyros.

As shown in Figure 7, the bearing cups are rigidly affixed to the alignment fixture (mandrel) and "angular displacement of the cups to the same axis; that is, the axis of the mandrel" (A-I. 198) is physically impossible in the Michigan steel gyros, despite the ruling otherwise by the California Supreme Court.

Thus, as a simple matter of mechanics, logic and law the Michigan steel gyros do not infringe the claims of Adkins' patent, which require angular adjustment of the bearing cups for alignment.

Since the question whether Lear's Michigan gyros fall within the scope of Adkins' claimed invention may be resolved as a matter of law, it is deemed appropriate to invite this Court to consider this issue. This question need be reached only if, notwithstanding our arguments to the contrary, the Court should hold that the agreement is enforceable and the patent is valid and enforceable.

Conclusion.

Petitioner respectfully requests this Court to reverse the judgment of the California Supreme Court and to direct that court to enter judgment for petitioner on the grounds that:

(1) The license agreement between petitioner and respondent as well as the patent issued to respondent are unenforceable, because the agreement constitutes a misuse of the licensed patent;

(2) Petitioner, as licensee, is not estopped to contest the patentability of the claims of respondent's patent application or the validity of the patent issued to him, and the claims of the respondent's patent application are unpatentable and the patent issued to him is invalid; and

(3) Petitioner's Michigan steel gyros do not infringe the claims of respondent's patent.

If, however, this Court is of the opinion that further proceedings are required in the court below, petitioner respectfully requests that the Court reverse the judgment of the California Supreme Court, and direct that court in such proceedings:

(1) To review, under applicable criteria of federal patent law, as specified by the Court in its opinion, the determination of the Superior Court as to the unpatentability of the claims of respondent's application and the invalidity of the patent issued to respondent;

(2) To review the evidence in the record as to improprieties in the proceedings before the Patent Office, and, in the event of a finding that the improprieties asserted herein occurred in such pro-

ceedings, to determine that the patent, and consequently the license agreement, are unenforceable; and

(3) On the basis of applicable criteria of federal patent law, as specified by the Court in its opinion, that must be applied in ascertaining the scope of a claimed invention and the infringement thereof, to re-determine the scope of the claims of respondent's patent and the further question whether petitioner's Michigan steel gyros infringe those claims.

Respectfully submitted,

C. RUSSELL HALE,
EDWIN L. HARTZ,
THOMAS G. CORCORAN,
ALLEN E. THROOP,
Attorneys for Petitioner.

CORCORAN, FOLEY, YOUNGMAN & ROWE,
CHRISTIE, PARKER & HALE,
Of Counsel.

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